Austria ... Sch 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £L 8.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $65
France ... Fr 8.00	Mexico ... Pes. 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.00
India ... Rup. 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,788 — Monday November 25 1985 — D 8523 B

Gatt: stormy session looms over hard US line, Page 4

World news — Business summary

EEC faces deadline on reform

EEC foreign ministers have one week to finalise a series of amendments to the Treaty of Rome which will be put before the Luxembourg summit next Monday.

Key issues include a timetable for majority voting on measures to complete unification of the common market and new powers for the European Parliament and European Commission. The 12 ministers, meeting in Brussels, are working to a 1992 deadline for a unified market. Page 2

Car bomb injuries

Bomb explosion in a car parked outside a US military shopping centre in Frankfurt injured at least 23 people, all but two Americans.

Militia warned

Beirut street clashes between Druze and Shia militia eased after their respective leaders warned that gunmen patrolling the streets without authority would be shot.

Spy charge arrest

The wife of a US navy intelligence analyst who is accused of selling secrets to Israel and Pakistan has been arrested and charged with possession of defence documents. Israeli inquiry, Page 3.

Vatican meeting

Pope John Paul opened an extraordinary meeting of Roman Catholic bishops in Rome which will review 20 years of progress since Vatican II. Page 2

Cocaine swoop

US drug squad police seized 680 kg of cocaine with a street value of $2bn at Long Island, New York, and arrested 27 people.

Break-out blast

Prisoners at Ireland's top-security jail at Portlaoise, 70 km from Dublin, failed in an escape bid when a bomb planted at the front gates only partially detonated.

Coalition go-ahead

Belgian Prime Minister Wilfried Martens will begin work on his sixth coalition Government today after a draft programme was endorsed at congresses of the four Christian Democrat and Liberal parties.

Third World plea

President Mobutu Sese Seko of Zaire called for greater international understanding of Third World problems at a ceremony in Kinshasa to mark the 20th anniversary of his coming to power.

Franco anniversary

Tens of thousands of supporters of the late General Franco paraded through Madrid to commemorate the 10th anniversary of the death of Spain's former dictator. Page 2

Votes vanish

Honduran voters, already confused over the selection procedure for their president, suffered further disruption at the polls when officials found the ink supplied for voting was fading temporarily after use.

Volcano wired

Geologists are wiring the Nevado del Ruiz volcano in Colombia, where an eruption earlier this month killed 22,000 people, to provide an early-warning system for any future eruptions.

Shuttle delayed

Space shuttle Atlantis, due to be launched from Cape Canaveral tomorrow, will be delayed 24 hours because of a mechanical fault, the US space agency announced.

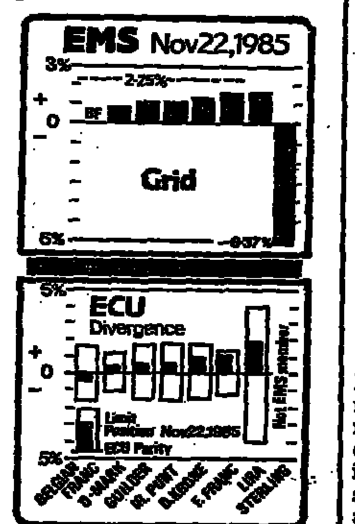
Champion unwilling

World chess champion Gary Kasparov was quoted as saying he would not welcome a rematch.

Brazil admits wastage of funds

BRAZIL has conceded for the first time that a large part of its $104bn foreign debt, the highest in the developing world, was wasted on impractical projects. A senior official at the Planning Ministry admitted that many projects would never produce a satisfactory return and the money spent had to be written off. He said around $15bn had been "irrevocably lost." Page 3

EUROPEAN Monetary System: Currencies traded within a narrow range last week in very quiet trading. The dollar's continued decline against the D-Mark had little effect on the weaker members, with the Belgian franc holding steady without central-bank support. The dollar's weakness contributed to decisions by the West German and French central banks to leave domestic interest rates unchanged.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

US TAX reform plans would cut personal income taxes by an average of 8.4 per cent and recoup the lost revenue from companies. Page 3

DEVELOPING countries are finding it more difficult to obtain new loans in spite of a rise in international borrowing, the Organisation for Economic Co-operation and Development said.

TATE & LYLE said it was close to obtaining control of a second sugar refinery in Portugal and was looking out for other acquisitions. Page 18

BRITAIN'S manufacturing companies have reported an improvement in business prospects during the past month, due in part to the weakening of sterling against other European currencies, according to the Confederation of British Industry, UK employers' organisation. Page 9

GATT opens a meeting in Geneva today which will debate the contentious issue of multilateral talks aimed at preventing a global trade war.

US DRUG companies Merck and American Home Products replaced Hoechst and Bayer of West Germany as the world's largest in sales terms, according to a newsletter. Page 8

EQUITY DEALS: Institutional investors expect commission rates to drop by between 20 and 30 per cent after the "Big Bang" restructuring of the London stock market next October. Page 18

GEMINA, owner of the largest block of shares in Montedison, Italian chemicals group, is willing to sell its 17.1 per cent stake if a suitable buyer can be found. Page 19

PAN ELECTRIC Industries: Prospects for a rescue of the debt-ridden Singapore company improved after a meeting between senior officials and key bank creditors. Page 22

FLORIDA banks, Southeast Banking Corporation and Barnett Banks of Florida, are discussing a merger which could create a group with assets of $25bn (£17.2bn). Page 22

Deadlock over hijack as Egyptian troops stand by

DEADLOCK between Maltese authorities and four Arab gunmen who hijacked an Egyptian airliner from Athens to Valletta late on Saturday remained unbroken last night. There was heightened speculation that Egyptian commandos might be given the go-ahead to storm the Boeing 737, write Godfrey Grima in Valletta, Tony Walker in Cairo and Our Foreign Staff in London.

The fate of the passengers and crew alive on board – numbering about 90 – appeared to hang on continuing consultations between Mr Carmel Mifsud Bonnici, the Maltese Prime Minister, and the ambassadors of Egypt, Libya, the US and the UK as well as the representative in Valletta of the Palestine Liberation Organisation.

The only demand known to have been made by the hijackers, who identified themselves as members of "Egypt's Revolutionaries," the shadowy group that claimed responsibility for the killing of an Israeli diplomat in Cairo in August, was that the aircraft should be refuelled.

The Maltese Government refused permission, saying that the air pirates should first free all the passengers.

By dusk it was believed that at least seven people had died, including one of the hijackers and one of four Egyptian security guards aboard the aircraft. They were thought to have been killed in a shoot-out after the aircraft was seized above the Aegean Sea last Saturday on a scheduled flight from Athens to Cairo.

Six passengers who were wounded in the shooting, several critically, of whom one was believed to have died in hospital, were released yesterday afternoon. Later, 12 women were freed. The body of one woman was dumped on to the runway, followed by a second, who was alive though shot in the head.

LATER last night, Maltese police officials reported that the aircraft had been stormed and the hijack apparently ended. There were no further details but a large number of police, fire engines and ambulances were seen surrounding the airliner.

Eyewitnesses reported a loud bang, large flash, and smoke billowing from the area of the Boeing 737's cockpit. Passengers were seen fleeing from the aircraft and all off-duty doctors and nurses in Valletta were instructed to report to hospitals.

Ms Lauretank Chafek, who was released early yesterday morning with 10 other women passengers, told how shortly after the aircraft was seized hijackers and an Egyptian secret service agent seated at the back of the aircraft started shooting at each other.

"It was terrifying. One of the hijackers began to manhandle passengers including an Israeli woman. The Egyptian pulled out a gun and shot him dead. I was glad. The terrorist was mad.

"Then the three other hijackers gunned the Egyptian down. At least six people were wounded including two hostesses. Then one of the hijackers went over to another passenger and asked for his passport. He too was an Egyptian secret service agent. The hijacker shot him through the head. I closed my eyes. I couldn't believe this was really happening."

The Egyptian Government yesterday dispatched one, and possibly two, C-130 Hercules transport aircraft carrying commandos to the airport. It also declared a state of emergency on its border – clearly pointing a heavy finger of suspicion at the regime of Colonel Muammer Gadaffi in Libya. The road westwards from Cairo to Fayoum was closed, indicating that heavy troop movements were taking place.

Egyptian military authorities set up a special operations committee under the supervision of Field Marshal Abdel-Halim Abu Ghazala, Minister of Defence, and including intelligence officers.

Mr George Shultz, US Secretary of State, said in a TV interview that the American Government was working with other countries, especially Egypt, "to deal with this as expeditiously and firmly as possible."

Asked about possible military action, he replied: "I have no comment to make whatever on precisely what our strategy will be, except to say that no one should give any quarter, no place to hide for these terrorists."

Mr Donald Regan, White House Chief of Staff, denied that the US Sixth Fleet had been alerted. "We are allowing the governments of Egypt and Malta to handle this."

Dr Esmat Abdel Meguid, Egypt's Foreign Minister, confirmed reports that the hijackers were carrying Moroccan passports, though he was quick to say that they could be "fakes."

S African reschedule may hinge on reform, says Swiss mediator

BY JOHN WICKS IN ZURICH AND ANTHONY ROBINSON IN JOHANNESBURG

DR FRITZ LEUTWILER, the Swiss mediator who is trying to arrange a rescheduling of South Africa's foreign debt, has issued a strong warning that, unless there is a "positive statement at the highest level" about political reform, then no agreement is in prospect.

Dr Leutwiler, former chairman of the Bank for International Settlements and the Swiss National Bank, said that he thought time was running out for South Africa. Apart from the growing pressure in the country itself, the situation was becoming increasingly difficult for the international banks.

"If South Africa delays much longer, certain clients – particularly those of American, British and other banks – will say they will be satisfied only by the principle of one man, one vote," he told the Zurich newspaper Tages-Anzeiger.

Dr Leutwiler's warning came as the South African Government decided to return Mr Nelson Mandela, leader of the banned African National Council (ANC), to his cell in the top-security Pollsmoor jail from a hospital in Cape Town.

The decision ended speculation about his imminent release, but observers here believe that pressure from the international banks and the resurgence of township violence have convinced the Government that his eventual release is now a priority issue.

Eyes are now fixed on the President's traditional policy speech at the opening of Parliament towards the end of January. At last year's opening President P. W. Botha offered to release Mr Mandela into South Africa provided he first publicly abandoned the ANC's formal commitment to the violent overthrow of the state. It has become clearer recently, however, that it is not so much the ANC's commitment to violence, adopted in 1961 as an answer to the state violence of apartheid, but its political strength and the prestige of Mr Mandela which constitute the greatest obstacle to his release.

Despite official denials, it is understood that the Government has made a fresh offer to release Mr Mandela, which goes considerably further than previous offers. But Mr Mandela continues to insist on terms which would permit him to function as leader of an ANC free to operate as a legal party. There are no signs that he has changed his demand for the release of other jailed ANC leaders and the return of ANC cadres now in exile.

The Government is seeking guarantees that the ANC, if unbanned, would be prepared to act within the law and enter negotiations not only with the Government but also with other political forces like the 1m-strong Zulu-dominated Inkatha movement, leaders of the four "independent homelands" and other political forces.

Meanwhile, police reported three more deaths in widespread unrest in townships throughout the country over the weekend, raising the week's death toll to around 50, with hundreds more wounded.

The white opposition Progressive Federal Party (PFP) has called for a commission of inquiry, similar to the Kannemeyer inquiry into the Sharpeville anniversary shootings at Langa in March, to investigate last week's violence in Mamelodi, near Pretoria, where police shot at least 13 people, mainly elderly women. Most of the injuries are reported to be in the back.

Scattered violent incidents were also reported from townships in the eastern Cape, where army patrols were withdrawn on Thursday night following the two-week suspension of the boycott of white shops and a reduction of tension in the area.

Patti Waldmeir adds from Lusaka: The ANC responded to Mr Mandela's return to prison on Saturday by calling on the international community to intensify pressure on Pretoria for the release of the organisation's 67-year-old leader.

Mr Alfredo Nzo, ANC secretary general, told a press conference in Lusaka, the organisation's headquarters, that he hoped the "release Mandela" lobby would be strengthened, adding that prison was no place for a man who had had a major operation.

World currency deals soar to $150bn a day

BY WILLIAM HALL IN NEW YORK

THE WORLD'S foreign exchange market has doubled in size in the last five years to $150bn a day, but despite growing competition from Far Eastern financial centres, London remains the largest foreign exchange trading centre by a wide margin.

Daily foreign exchange trading volume in London has risen from an estimated $25bn in 1979 to $49bn last year, and roughly a third of the world foreign exchange trading activity continues to be channelled through London.

New York is the second most important centre, with an estimated daily turnover of $35bn, and Zurich, which has recently overtaken Frankfurt in importance, is the third busiest foreign exchange centre with a daily volume of $20bn.

While the four major European financial centres – London, Zurich, Frankfurt and Paris – account for 60 per cent of the world foreign exchange market, Far Eastern centres have been growing rapidly in importance and boosted their share of the market from an estimated 11 per cent to 16 per cent over the past five years.

The estimates of the growth and size of individual foreign exchange centres are contained in a survey by the Group of 30, an influential research organisation backed by major financial institutions and multinational companies.

While the Group of 30 cautions that there are widely varying estimates of the size of trading volume in individual financial centres, its survey is probably the most comprehensive effort to measure the scale of the global foreign exchange market yet undertaken. The confirmation of London's dominant position will be welcomed by London-based banks which are facing growing rivalry from New York.

The survey, The Foreign Exchange Markets in the 1980s, was conducted between May and August 1985 and reflected the responses of 40 large international banks, 15 securities houses, 50 multinational companies with extensive foreign exchange operations and 17 international money managers.

Mr Thomas Johnson, president of Chemical Bank, who headed the

Continued on Page 18

Editorial comment, Page 16

FOREIGN EXCHANGE CENTRES

	$bn 1979	$bn 1984
London	25	49
New York	17	35
Zurich	10	20
Frankfurt	11	17
Tokyo	2	8
Singapore	3	8
Hong Kong	3	8
Paris	4	5
Total	75	150

Median estimates of average daily turnover

Source: Group of 30

Optimism in US over outcome of summit

By Reginald Dale in Washington

THE SOVIET UNION now accepts President Ronald Reagan's Star Wars space defence programme as a fact of life and will not make a new superpower arms control agreement dependent on the project being scrapped, Mr Donald Regan, the White House Chief of Staff, said yesterday.

In an optimistic assessment of last week's US-Soviet summit in Geneva, Mr Regan said that the US would now try to "accomplish something" in the arms control negotiations before the next superpower summit.

While the US would not produce new arms control proposals "at this point," Washington would try to ensure that the specialist negotiators in Geneva now worked harder and faster, he said.

He agreed with a suggestion that Mr Mikhail Gorbachev, the Soviet leader, would now "un-link" his campaign to halt the Star Wars project from efforts to agree on a 50 per cent cut in offensive strategic weapons, the principle of which was endorsed by the two countries in Geneva.

Mr George Shultz, the US Secretary of State, warned, however, that the US would not allow itself to be stampeded into a disadvantageous arms agreement by the plan to hold two more summits, the second of which is expected to take place in the Soviet Union in 1987.

President Reagan would go to future summits with the same approach that he had in Geneva, Mr Schultz said. If there was an agreement to be found that served US interests, Mr Reagan would be ready and anxious to strike a deal. If not, "no amount of deadlining" would force him to make one.

Mr Shultz's warning came as a wide range of US political analysts and commentators said that Mr Reagan would not be able to get away with a repetition of Geneva's failure to solve important US-Soviet differences at future summits. A common American view at the weekend was that, while it was enough for the Geneva meeting to have broken the ice, Mr Reagan would need more substantial achievements next time round.

That said, a broad consensus remains that Mr Reagan had proved in Geneva that he was still a formidable political force to be reckoned with and in no imminent risk of lapsing into the weak status of a "lame duck" president.

Mr Shultz said that Mr Reagan's thinking about the nature of US

Continued on Page 18

Writing history backwards, Page 17

UK ministers differ over plans for British Gas privatisation

BY MAX WILKINSON AND DOMINIC LAWSON IN LONDON

A MAJOR argument is brewing in the British Cabinet about the conditions under which the state-owned British Gas should be sold to the private sector.

It centres on the position of the new private monopoly in making purchases from the North Sea gas fields.

Ministers must also resolve questions about the capital structure of the new corporation, particularly the amount of debt which is to be loaded on to it. Important issues about the regulation of the monopoly have also to be settled.

The argument is potentially embarrassing to the Government because it intends to set out the terms of privatisation within the next two weeks. It has to meet a tight timetable if extra money is to be raised for tax cuts in 1986-87.

The most important argument is whether British Gas should remain as effectively the only customer for North Sea oil companies' natural gas supplies. This is ensured by the requirement that all gas must be landed in the UK and is matched by tight restrictions on imports.

Mr Peter Walker, the Energy Secretary, is strongly opposed to any relaxation of these restrictions. But the Treasury, the oil companies and some Conservative back-benchers believe that North Sea gas should be deregulated so that a free market would be encouraged as for oil.

Otherwise, they fear, the new private gas company would have far too much power. This could be particularly worrying if the corporation started an aggressive takeover programme in the North Sea.

It is also pointed out that the new regulatory body for British Gas would have an almost impossibly complex task if it had to oversee all North Sea gas contracts, as well as setting prices for the customer.

As a compromise and to avoid lifting the UK landing requirement, the Department of Energy has proposed that the 1983 Oil and Gas Enterprise Act should be strengthened. This gave competing producers the right to use British Gas's pipelines to supply direct to customers. But the act has had little success so far, partly because of the difficulty of matching the supply from a particular gas field with the demands of individual customers.

The act would therefore be amended to oblige British Gas to provide "topping up" supplies at times of peak demand and to buy in surplus gas when demand is low.

Critics say, however, that this requirement would be little more than window dressing without highly detailed monitoring of British Gas's charges for such a service.

But this would conflict with the Energy Department's desire to keep the regulations as simple as possible.

Moreover, British Gas's access to cheap southern basin supplies means it can easily undercut competitors as it did when Hamilton Oil of the US tried to use the act to sell gas from one of its North Sea fields directly to ICI.

A further potential difficulty is the extent to which British Gas should present itself as an aggressive exploration company to appeal to the City of London.

The Department of Energy is encouraging this by restoring the corporation's right to be an oil producer. The corporation's 20 per cent stake in a consortium applying for acreage in the second Danish oil and gas licensing round also emphasises this role.

But there is a strong lobby within the corporation which believes it should stick to its major role as a supplier of gas to UK consumers and base its exploration work on the search for gas to meet its own needs.

CONTENTS

International ... 2, 3
Companies ... 19, 22
World Trade ... 4
Britain ... 6, 8–10
Companies ... 23, 24

Appointments ... 29
Arts – Reviews ... 15
– World Guide ... 15
Law ... 12
Construction ... 34
Crossword ... 29
Currencies ... 38
Editorial comment ... 16
Eurobonds ... 19
Financial Futures ... 38
Insurance ... 12
Int Capital Markets ... 19–22
Letters ... 17
Lex ... 18
Lombard ... 17
Management ... 14
Men and Matters ... 16
Money Markets ... 38
Stock markets – Bourses ... 35
Wall St ... 36, 37
London ... 32, 33
Technology ... 13
Unit Trusts ... 29–31
Weather ... 18

Technology: opportunity for earthly robots ... 13
Management: US chip maker defies convention . 14
Editorial comment: Group of 30; Liverpool ... 16
UK newspapers: not yet a golden age ... 16
Geneva summit: writing history backwards ... 17
Lombard: UK Chancellor steals critics' clothes ... 17
Lex: commissions; pension funds; Liverpool ... 18
Accountancy: Survey ... 25–28

Mass march commemorates Franco's death

BY DAVID WHITE IN MADRID

THE SPANISH extreme right showed its colours in Madrid yesterday in a mass march to commemorate General Francisco Franco and to protest against the country's modern political leadership.

The Castellana, Madrid's wide main avenue, was turned into a sea of red and yellow as demonstrators, predominantly middle-class and including many youngsters, waved Spanish flags—most of them bearing the eagle crest of the dictatorship — sang nationalist hymns, chanted "Franco" and raised their hands in the stiff-armed fascist salute.

Ten years after his death, General Franco showed he still had the power to bring supporters out onto the streets in the biggest showing of its kind in recent years. Participants were bused in from all corners of Spain and were joined by contingents from the French National Front Party and Italian neo-Fascist organisations in the march to pay homage to the general's statue.

Spanish radio and television provided scant coverage of the march. Madrid's socialist authorities put the turnout at 50,000 but this appeared to be an underestimation. The organisers, the confederation of ex-combatants, had aimed to rally as many at 1m people

The red and yellow flags mingled with the black and red banners of the Falange, the Spanish fascist movement, whose supporters braved the brisk autumn weather to sport their pseudo-military blue shirts.

Chants taken up by the demonstrators included "Policemen didn't die under Franco," referring to the increase in Basque terrorist violence since his death and "free Tejero," the civil guard lieutenant-colonel, serving a 30-year sentence, who held parliament hostage in an abortive coup attempt in 1981.

Prominent banners called on Spaniards to "exalt military values" and not to give their votes "to the system."

Stalls in central Madrid were doing rapid trade in souvenirs depicting the former dictator and the legendary Falangist leader Jose Antonio Primo de Rivera, the anniversary of whose death in 1936 coincides with General Franco's.

Alongside nationalist badges they displayed "heil Hitler" cigarette lighters and mementoes of the Spanish blue division which fought for Nazi Germany.

Despite the protests voiced against the "liberal monarchy," the overall tone of the demonstration was more of nostalgia on the part of a faithful minority than of a political movement. At the last general election in Spain three years ago, the extreme right lost its only seat in parliament.

In a television interview on Friday to mark his tenth coronation anniversary, King Juan Carlos said he believed that democracy was now "consolidated" and that Spain's constitutional frame work was "firm and stable."

Ecevit's wife to lead Turkish party

By David Barchard in Ankara

MRS RAHSAN ECEVIT, wife of Turkey's former Prime Minister Mr Bulent Ecevit, has been elected leader of Turkey's newest political party, the Democratic Leftist Party (DLP).

Mrs Ecevit has no previous direct experience of politics and it is assumed that her role will be to act as proxy for her husband until a 10-year ban preventing him and other politicians from returning to political activity ends in 1992.

The party has the support of four members of t/e National Assembly. Public opinion polls suggest that it is backed by less than a quarter of Turkey's left-of-centre voters, many of whom regard Mr Ecevit as having been discredited by his ineffectual spell as Prime Minister in 1978 and 1979.

Meanwhile, Mr Turgut Ozal, the Prime Minister, is reportedly running into difficulties with his own followers in his efforts to suspend an article of the 1982 constitution which says that deputies who leave their parties to join another existing party lose their parliamentary seats.

Mr Ozal wants to suspend the article for one month in the hopes of attracting defectors from the opposition parties.

EEC ministers in bid to finalise package of reforms

BY QUENTIN PEEL IN BRUSSELS

SUCCESS or failure of the effort to revitalise and reform the EEC and its institutions is in the balance this week, as 12 Foreign Ministers attempt to finalise an ever-shrinking package of planned amendments to the Treaty of Rome.

The proposals must be ready to be presented to the EEC leaders at the Luxembourg summit one week today, but wide gaps still divide the maximalists and minimalists in the reform debate.

The key to the outcome is likely to bethe attitude of Paris and Bonn on the central questions of how and when to enforce majority voting on measures to complete the unified common market by 1992; what new powers to give the European Parliament and the European Commission; and what other amendments should be included in the package, such as monetary affairs and technology.

Maximalists, like Italy, Belgium, the Netherlands, and the Commission itself, will renew their warnings today that no reforms would be better than inadequate reforms. Italy in particular faces the danger of its Parliament refusing to ratify a package without significant new powers for the directly elected European as/embly.

At the other end of the spectrum, Britain still has a formal reservation on any amendment to the Treaty of Rome, which will only be lifted at the summit if Mrs Margaret Thatcher, the Prime Minister, is convinced the package will make Community more efficient and effective.

France and West Germany, on the other hand, have remained ambiguous in their attitude to the proposed reforms, arguing publicly for greater movement while adopting much more cautious position in the actual negotiations.

The most difficult debate now centres on the measures to complete the internal market, and remove all remaining national barriers to trade, by 1992.

Several countries are seeking specific exclusions from a general rule which would make all decisions subject to qualified majority voting, instead of the present requirement for unanimity.

Pope begins review of Church

BY JAMES BUXTON IN ROME

POPE JOHN-PAUL II yesterday opened a special synod of the Roman Catholic Church. The synod is probably the most important gathering the Church has seen since the Polish Pope came to the throne seven years ago.

The synod was unexpectedly summoned by the Pope early this year to review the state of the Chuch exactly 20 years after the ending of the Second Vatican Council which set in train a thorough process of change and liberalisation in the church.

In his address yesterday, the Pope did not confront those issues arrising out of Vatican Two, as the council is usually called, which are causing unease and division in the Church.

The often-conservative policy pursued by the Pope on matters of doctrine and in many of his appointments has dismayed those Catholics who favour a continuation of the process of reform which began with Vatican Two.

The most senior exponent of the conservavtives is Cardinal Joseph Ratzinger, head of the Sacred Congregation of the Faith, the Vatican department which pronounces on doctrine. He believes that the liberalisation of the Church has been a disaster and has gone too far.

Ranged against him are those such as the representatives of the Catholics of England and Wales who want further implementation of Vatican Two and are dismayed by the Pope's conservative teaching on issues such as birth control and family life.

The two-week synod is unlikely to reach firm conclusions on the controversial issues. In the end, it is the Pope who will decide what to do.

● The Vatican is drawing on its financial reserves to meet ever-greater deficits in its running expenses, it revealed at the weekend.

Last year expenditure of L131bn (£51m) exceeded revenue by L59bn and this year a deficit of L87bn is predicted, despite earlier forecasts that the deficit for 1985 would amount to L63bn.

The Vatican finances its activities out of three sources: the income on financial patrimony, revenue from pilgrims and contributions from rich dioceses.

Portuguese price rises take public by surprise

BY DIANA SMITH IN LISBON

THE ABRUPT announcement on Saturday night of stiff increases in the prices of milk and bread, public transport, utilities, and fertilisers has taken the Portuguese public by surprise.

Without warning, the new minority Social Democrat Government headed by Professor Anibal Cavaco Silva declared a 14 per cent increase in the price of basic foods and services and a 5 per cent increase in the cost of oil derivatives.

A litre of high grade petrol, in the country with Europe's lowest wage and pension scales, will now cost the equivalent of 50p, only slightly less than an average hour's pay for a Portuguese industrial worker.

The new administration, which is committed to expanding the depressed economy after two years of punishing austerity, explained that the sudden increases were necessary to ensure that the inflation rate is held to the promised target of 14 per cent in 1986.

The fierce deflationary measures taken by the previous Government have lowered the rate to a forecast 16 per cent this year compared with 30 per cent in 1982.

The move comes just over a fortnight before local government elections and is likely to be exploited energetically by the opposition.

Dutch Government backs end of telecom monopoly

BY LAURA RAUN IN AMSTERDAM

THE Dutch Government has endorsed the breaking of the PTT state telecommunications agency's monopoly in advanced communications equipment, such as business-telephone exchanges and interactive videotex, beginning in 1989.

The agency would be spun off into a profit-oriented limited liability company whose shares would be held entirely by the state, thus stopping short of British Telecom's highly-successful stock market flotation last year.

But sophisticated new telecommunications activities would be opened to private sector competition, similar to the British Telecom move, promising new opportunities for value-added network (VAN) companies that provide data communications services.

Mr Ruud Lubbers, the Dutch Prime Minister, has now announced that the cabinet's final position on the Post-Telephone-Telegraph (PTT) agency's future will be submitted to parliament before Christmas.

In a political gesture to PTT employees, the provisional decision will be discussed with the labour unions first but the Hague's ultimate position is not expected to change.

Beginning on January 1, 1989, the state agency would become the Naamloze Vennootschap (NV) PTT, a limited liability company, with two subsidiaries: one for postal services and the other for telecommunications services.

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House committee finalises plan on tax reform

BY REGINALD DALE, US EDITOR IN WASHINGTON

PLANS for a comprehensive reform of the US tax system took a step forward at the weekend after the House of Representatives Ways and Means Committee finished work on proposals that would radically alter the tax treatment of companies and individuals.

The plan thrashed out in the Democrat-dominated committee would cut personal income taxes by an average of 8.4 per cent and recoup the lost revenue—estimated at $126bn (£88.1bn) over five years—from corporations.

The proposals differ considerably from the original tax simplification plan that President Ronald Reagan has been promoting as the domestic policy centrepiece of his second term in the White House.

Mr Reagan had still to study details of the committee's conclusions, but one forecast was that the White House would be happy for the plans now to go to the Republican-controlled Senate, where Mr Reagan could try to restore some of his initial proposals.

While Mr Reagan has been campaigning to reduce personal tax brackets to three rates of 15, 25 and 35 per cent, the Ways and Means Committee added a fourth, a 38 per cent rate for higher income earners. The committee's proposals would cut the top corporate tax rate from 46 to 36 per cent, but business as a whole would pay more because many current credits and deductions would be abolished.

The plan, which is expected to go to the House floor next month, would remove more than 6m low-income Americans from the federal income tax rolls and give a tax cut to almost everyone else.

It would, however, be more favourable to those in the low-to middle-income range, and less advantageous for the wealthy, than the proposals that Mr Reagan sent to Congress last May.

The Bill is expected to have a difficult time in the full House.

The US Senate has approved a new four-year compromise package of farm subsidies that a majority grudgingly supported only because of the worsening plight of agriculture, Reuter reports from Washington.

Passage on Saturday of the price supports, by a vote of 61 to 28, followed weeks of haggling that culminated in a showdown between Republicans who wanted subsidies reduced, and Democrats who insisted that farm income at least be maintained at current levels for the next four years.

The Bill goes to a House/Senate conference committee in the first week of December and the conference agreement must then be approved by both Houses before going to the White House.

President Ronald Reagan has threatened to veto any Bill that does not reduce costly farm subsidies and gradually move the Government out of agriculture.

Reagan in favour of covert aid for Angolan rebels

BY MICHAEL HOLMAN IN NEW YORK

THE US Administration favours covert aid to the anti-government Unita movement in Angola rather than back the Bills now before Congress advocating open humanitarian or military assistance to the rebels, President Ronald Reagan has disclosed.

The President's comments, made during an interview on Friday with US editors on the Geneva summit, could have far-reaching implications for US policy in southern Africa and the continent as a whole.

His apparent willingness to consider covert support for Unita guerrillas led by Mr Jonas Savimbi, who is backed mainly by South Africa, is likely to undermine Washington's efforts to settle the independence dispute in Namibia.

The main issue holding up progress is the US and South African demand that the withdrawal of some 25,000 Cuban troops in Angola should be linked to the implementation of a UN settlement plan for the territory.

President Reagan was asked why Mr George Shultz, the US Secretary of State, had publicly opposed the Bills on aid to Unita. Much to the surprise of senior Administration officials, who have been trying to avoid committing themselves on a highly sensitive subject, President Reagan replied: "He isn't. We all believe that a covert operation would be more useful to us and have more chance of success right now than the overt proposals that have been made in Congress."

Israel pledges 'spy' inquiry

THE ISRAELI Government yesterday pledged a thorough investigation over an alleged spy scandal that threatened to damage its relations with the US, its closest ally, **AP reports from Jerusalem.**

A statement by the Foreign Ministry did not confirm or deny that Israel bought sensitive military intelligence from Mr Jonathan J. Pollard, a civilian US navy analyst. Mr Pollard was arrested on Friday for allegedly selling documents for $50,000 within the past two years.

● In Washington, a former CIA intelligence analyst was charged on Saturday with selling US secrets to China, including information on Communist Chinese soldiers taken prisoner during the Korean War.

Mr Larry Wu-Tai Chin, 63, was said to have been paid more than $140,000 by the Chinese for information he obtained since 1952 while working for the US consulate in Hong Kong and the Central Intelligence Agency Foreign Broadcast Information Service outside Washington, the FBI charged in a criminal complaint.

Brazil admits wasting borrowings

By Andrew Whitley in Rio de Janeiro

BRAZIL has admitted for the first time that a substantial part of its $104bn (£72.7 bn) foreign debt—the highest in the developing world—was wasted on ill-conceived projects which will never produce an adequate return, and is being written off.

Prior to this admission by a senior *Planning Ministry* official last Friday, successive governments always insisted that, unlike Argentina or Mexico, foreign borrowing had been put to good use in Brazil.

According to Mr Henri-Philippe Reichstul, head of *the state companies division within the Planning Ministry,* $60bn of the $70bn public foreign debt is owed by state companies. Of this, he said, as much as a quarter, or $15bn, has been "irrevocably lost."

The list of major projects he identified as those on which huge sums of money have been wasted over the past decade include:

● The nuclear programme, on which $5bn has been spent. Kraftwerk Union (KWU), the Siemens subsidiary, is the prime contractor on a much criticised programme in which West German banks, led by Dresdner and Deutsche, have been heavily involved.

● The steel railroad, designed to run from the interior of Minas Gerais state to the coast near Vitoria. About $3bn has been poured into this abandoned project, on which GEC has an important contract and Rothschilds of London helped raise its external finance.

● The Acominas integrated steelworks. According to the Planning Ministry, as much as $3bn was wasted as a result of interminable delays on a project many considered misconceived from the start. The Davy Corporation of the UK is its main contractor, and Morgan Grenfell its lead foreign bank.

Among the other projects cited by Mr Reichstul were the copper mine and refinery Caraiba Metais.

Confusion mars Honduran poll

By Tim Coone in Tegucigapa

CONFUSION and accusations of administrative incompetence plagued yesterday's presidential elections in Honduras. It was not until late Saturday night that the National Electoral Tribunal formerlly decided whether the new President of the country, would be elected by a simple majority or by the party that received the greatest number of votes.

The conflict arose because the two major parties, the Liberals and Nationals, have several candidates each contesting the Presidency. After several hours of debate the Tribunal finally decided that the party that received the greatest number of combined votes would win the Presidency.

It is thought that Mr Rafael Callejas, the leading National candidate might defeat Mr Jose Azcona, the leading Liberal candidate on a straight majority vote, but would not defeat the combined vote of the four Liberal candidates.

Egypt urges PLO to change stance

BY TONY WALKER IN CAIRO

EGYPT is urging the Palestine Liberation Organisation to drop its objections to two controversial United Nations resolutions which imply acceptance of Israel's right to exist.

President Hosni Mubarak of Egypt said at the weekend that a change in the PLO's stand on resolutions 242 and 338 would help push forward the peace process.

The PLO's executive committee met last week in Baghdad to review recent developments in the region and to consider requests from, among others, King Hussein of Jordan to drop its opposition to the security council resolutions. It is reported to have reaffirmed the movement's rejection of the resolutions.

Mr Mubarak, speaking after a lengthy meeting with Mr Richard Murphy, US Assistant Secretary of State for Middle East Affairs, said that Egypt, while not imposing its will on the PLO, wanted it to arrive at a formula that would advance the peace process.

Mr Murphy flew to Egypt from Israel to brief officials on the Reagan-Gorbachev summit in Geneva. The superpower leaders did not discuss the Middle East problem in any detail, leaving it to the Soviet Foreign Minister and the US Secretary of State to do so.

Mr Murphy said he had agreed with Mr Mubarak to "stay in very close contact over the coming weeks as to how we can advance the possibility of serious movement and action on the peace process."

Mr Murphy said problems that remained unresolved concerned the "nature of the international auspices (for a resumption of the peace process), international contacts for the start of negotiations, and the question of Palestinian representation."

In Baghdad, PLO officials indicated strong continuing opposition to resolutions 242 and 338 which do not address Palestinian rights to self determination, treating the problem instead as merely one of refugees.

Meanwhile, the PLO has announced the appointment of a senior representative in Cairo, underlining the sharp improvements in its relations in recent months with Egypt. Mr Tayeb Abdel-Rahim, a member of PLO Chairman Yassir Arafat's mainstream Fatah Revolutionary Council, is the PLO's "head of mission" in the Egyptian capital.

Reuter reports from Baghdad: the PLO's Central Committee (the steering group of the Palestine National Council or "parliament-in-exile") is meeting in Baghdad this week under a blanket of secrecy imposed because of reports of dissension among Palestinian leaders over the two key resolutions, according to PLO officials.

An Iraqi official said that one outcome of the session could be a declaration about the setting up of a Palestinian government-in-exile.

The US, meanwhile, has not sought the extradition from Iraq of Mohammed Abul-Abbas, the Palestinian guerrilla leader accused by it of masterminding the hijack of the Achille Lauro, according to another senior Iraqi official.

He would not confirm that the chief of the Palestine Liberation Front was in Iraq.

"It does not make any difference to us. He is welcome to stay if he is here and welcome to come if he isn't," he said.

Opec members reduce deficit

BY RICHARD JOHNS

MEMBERS of the Organisation of Petrolem Exporting Countries cut their collective current account deficits from $19.55bn (£13.9bn) in 1984 to $4.08bn in 1985 despite a 3.1 per cent fall in the volume of their oil exports.

Earnings derived by the 13 producing states from crude oil and products are reported by Opec's latest annual statistical bulletin to have been $157.44bn compared with £164.59bn in the previous year.

The calculation would give per barrel revenues for the group as a whole of $26.41, a decline of only 0.5 per cent from the $26.54 level for 1983, according to the statistics.

The figures point to a considerable degree of success on the part of Opec in maintaining prices up until this year, despite various discounting practices, analysts said yesterday.

Opec's secretariat officially records overall output falling to 16.33m barrels a day in 1984 from 16.99m b/d in the previous year. Actual exports were down from 12.22m b/d to 11.84m b/d a drop of 3.1 per cent.

Nigeria succeeded in turning a deficit of $5.82bn into a surplus of $538m last year, according to the bulletin as reported by Opecna news agency.

In an equally remarkable turn-around, the statistics published by Opec, which would rely on data made available by governments of member-states, shows Iraq slashing its current account deficit from $7.31bn to $1.8bn.

Saudi Arabia reduced its deficit from $14.83bn to $13.22bn in what cmust be regarded as another major belt-tightening exercise.

Indonesia's was down from $6.34bn to $2.04bn and it accounted for 54 per cent of Opec's collective non-oil exports — $10.38bn out of $19.53bn. Nigeria earned $1.92bn from other sources and the United Arab Emirates $1.76bn, according to the Opec statistics.

Of the seven members who achieved surpluses on current account Kuwait was the leading one with $5.57bn despite oil output which was almost static.

Export increases were reported by Ecuador (20,000 b/d); Gabon (34,200 b/d); Indonesia (18,000 b/d); Iraq (130,600 b/d); Kuwait (61,800 b/d); Nigeria (159,900 b/d); Qatar (88,500 b/d); and Venezuela (28,500 b/d).

Decreases were registered by Algeria (78,000 b/d); Iran (230,900 b/d); Libya (25,200 b/d); Saudi Arabia (546,600 b/d); and the UAE (40,600 b/d).

Jumblatt and Berri warn Beirut gunmen

FIGHTING between Druze and Shi'ite Moslem militiamen eased yesterday after their leaders warned that gunmen on the streets without authority would be shot, **Reuter reports from Beirut.**

Mr Nabih Berri, Shi'ite militia leader, and Mr Walid Jumblatt, Druze chieftain, issued the warning in a joint appearance on state-owned television

"We warn that any shooting, closure of roads, kidnapping or robbery will be considered a crime against the homeland," they said in a joint statement

A strike force manned by Mr Berri's Shi'ite Amal movement and Mr Jumblatt's Progressive Socialist Party (PSP) had "strict orders to shoot any militiamen or anyone else attacking public and private property," the Druze leader said.

Businessman to head Malaysian party

By Wong Sulong in Kuala Lumpur

A PROMINENT Malaysian businessman, Mr Tan Koon Swan, has been elected leader of the Malaysian Chinese Association, the largest Chinese party in the country. He is likely to play a major role in shaping the country's political and economic directions.

He defeated the incumbent president, Dr Neo Yee Pan, by winning 77 per cent of the 3,524 delegate votes, ending a protracted and financially-costly leadership battle within the MCA.

The MCA is the Chinese partner in the coalition Government and has four ministers in the Cabinet.

The victory now paves the way for Dr Mahathir Mohamad, the Prime Minister, to call an early general election.

General elections are not due until April 1987, but Dr Mahathir is known to be keen on early polls because of the deterioration in the economic situation, and the need to seek a fresh mandate for his Government.

Mr Tan's supporters also swept all the major positions in the party, including the deputy presidency, four vice-presidencies, and the leadership of the youth and women's divisions.

Mr Tan, 46, has pledged he will devote himself full time to politics and is currently putting his extensive business interests under two small holding companies.

He is at present the biggest individual shareholder of Grand United Holdings, and Supreme Corporation, two publicly-listed companies.

He has announced a 10-point plan to revitalise the MCA, including amending the party's constitution to reduce the almost dictatorial powers of the president.

Boeing to use propeller power on 150-seater

BY LYNTON McLAIN

BOEING of the US, the world's largest civil aircraft manufacturer, is to use an advanced propeller engine on its proposed 150 seat airliner, the Boeing 7J7, according to Mr Borge Boeskov, the Boeing director of sales for southern Europe, who spoke in London last week.

The company would thus become the first large airliner to revert to propeller power since the emergence of the jet and turbofan engines.

The stakes for the 150 seat airliner market for the late 1980s and 1990s are high, with Airbus Industrie, the European consortium, already building its A320 competitor, powered by the International Aero Engines V2500 turbofan engine, for service in 1989.

Boeing has not yet launched an all-new 150 seat airliner to meet demand in this sector. Instead, it is selling its 737-300 twin-jet, a derivative of the 737 family of airliners. It has sold 411 of these.

Boeing has drawn up a short General Electric, Rolls-Royce, Allison and Pratt & Whitney—for propeller engines. The companies claim substantial improvements in efficiency for advanced propeller engines.

Boeing is to flight test a list of four manufacturers—General Electric unducted fan engine next year: a modified Boeing 727 airliner will take off with its starboard jet engine replaced by the GE propeller engine.

The company will decide finally in 1988 on whether to go ahead with its 7J7 for entry into airline service in 1992.

The decision date is based on a belief that by 1988 it will be clear whether the engineering and electronic disciplines needed to make a new technology airliner will be ready in time for a first flight in 1991.

Boeing says the 7J7 could offer seat-mile costs 60 per cent cheaper than conventionally powered airliners.

Contracts eventually expected to be worth $650m (£455m) have been awarded by Boeing, to companies in Japan and Australia for parts for the Boeing 747 jumbo jet airliner, writes Michael Donne.

Three Japanese companies, including Mitsubishi, Kawasaki and Fuji, will receive work worth $500m over the next few years on making control surface systems. Deliveries will start in 1988.

Hawker de Havilland of Sydney is among the Australian companies which together will carry out work worth $150m. It has received the master contract to produce sets of leading edge flaps.

Hawker de Havilland will sub-contract part of the work to the Government Aircraft Factories and the Commonwealth Aircraft Corporation.

William Dullforce sets the scene for the opening in Geneva today of the trade body's annual meeting

Stormy Gatt session looms as US sticks to hard line

WHAT PRICE, if any, is the US prepared to pay for having a decision to set up new global trade negotiations agreed by consensus among the 90 countries participating in the General Agreement on Tariffs and Trade? The question will be uppermost in everybody's mind when the Gatt annual meeting opens here this afternoon.

The meeting is scheduled to commission a committee to prepare for negotiations next year. US trade officials have warned that, breaking with Gatt tradition, they will force matters to a vote if developing countries insist on imposing conditions on the establishment of the committee and on the start of negotiations. Another stormy Gatt session is in prospect.

Contentions

The most contentious issue remains US insistence that trade in service must be included in the negotiations. A group of developing countries, in which Brazil and India are the most prominent, wants services excluded even from the work of the preparatory committee.

Brazil and India have found wider support among developing countries for a demand that, before the new round of trade talks gets underway, the industrial nations should give commitments or assurances on four other issues. These are, in Gatt parlance, standstill, rollback, safeguards and preferential treatment for developing countries.

The US can almost certainly count on achieving a majority if it pushes through a vote. Some of its partners, including France and other members of the European Community, are worried that a bulldozing vote would vitiate the atmosphere in which the negotiations would open. At worst, they fear boycotts and a fatal splintering of Gatt.

An impatient US Administration has for the past few months sought to inject a sense of urgency into the convening of new trade talks. It circumvented a deadlock in the Gatt council by calling for a special Gatt session which agreed on October 2 to press ahead with preparations.

For Washington, negotiations to overhaul the faltering Gatt trade system form part of a programme to revitalise the world economy. They parallel the efforts to bring down the value of the dollar, started by the Group of Five finance ministers in September, and the plan for dealing with the international debt crisis launched by Mr James Baker, the US Treasury Secretary.

The start of global trade talks is also an important element in the trade policy which Mr Clayton Yeutter, the US Special Trade Representative, is trying to stitch together and in the Administration's approach to the clamour for protection against imports within the US Congress.

In the capitals of the Third World, US diplomats have been putting across the message that Washington will see to it that trade talks in some form or other open next year. The clear implication is that the developing countries had better take part if they want their interests protected.

Developing countries, however, feel their main concerns are already being ignored. US insistence on talking about trade in services while postponing discussion on earlier, unfulfilled commitments to open up markets for Third World goods has acquired symbolic importance.

"Might is right again," one developing country diplomat said last week. "We are not against trade negotiations but we do not see why we should agree to discuss services before we get some assurances that our interests will be dealt with."

All last week in Geneva diplomats were trying to find compromises that would allow Gatt's top-level meeting this week to reach a consensus on the establishment of a preparatory committee and on its brief. A group of senior officials set up by the special session to prepare the ground for this week's meeting had earlier failed to agree on the wording of its report.

US trade officials last week refused to budge from their position that no pre-conditions could be attached to the setting up of the preparatory committee. "There's no need for any more haggling. Let's get things going and then we can thrash out all the issues," one said.

Other countries hope that Mr Mike Smith, the deputy US Trade Representative, will bring from Washington sufficient flexibility to allow concessions to be made to the developing countries. Some ideas emerging last week indicated where the line between consensus and a divisive vote might lie.

> For Washington negotiations to overhaul the Gatt form part of a programme to revitalise the world economy. They parallel efforts to bring down the value of the dollar and the Treasury's plan for dealing with the international debt crisis.

Services: Mr Felipe Jaramillo, the Gatt chairman, has revived and modified a scheme for a twin-track handling of services. Under his suggestion a separate group would examine ways of negotiating services. It would start and finish its work simultaneously with the preparatory committee dealing with trade in goods.

A decision would then be taken whether or not to incorporate services in one negotiating package. The question is whether the US Administration could swallow this further postponement of the key decision on services.

Standstill: Brazil and India are asking for an undertaking from all Gatt members that they will not introduce any measures to restrict imports that do not conform with Gatt rules. The undertaking must be given before a decision is taken to set up the preparatory committee, developing countries backing Brazil and India demand.

The desire for this commitment from the industrial nations extends beyond the group of five developing countries which has offered most resistance to the US approach to the trade talks.

Rollback: The Brazilian and Indian position calls for a decision, not before the preparatory committee is established, but before the new negotiations round is formally launched by Gatt ministers.

The industrial nations would be expected to commit themselves to phase out within a given period—three years has been suggested — all existing restrictions on their imports from developing countries which are inconsistent with Gatt rules or based on waivers from Gatt obligations.

Safeguards: The term is shorthand for the emergency steps a country may take to protect an industry threatened by imports "as a result of unforeseen developments." The Gatt formula has been misused and overridden by bilateral voluntary export restraints.

Brazil and India want "a firm and credible commitment" from all Gatt members to conclude as a priority a new comprehensive agreement on safeguard measures in the first stage of a new round. The intention is to prevent the US using action on safeguards as a bargaining chip for obtaining concessions on, say, services, counterfeiting of goods or direct investment.

Preferential treatment: Here again the developing countries do not want the US and other industrial countries to bargain application of their previous commitments in exchange for concessions on their newly developed interests in services.

Resistance

Instead they want agreement that more precise formulae will be worked out during the coming negotiations on how special treatment for the least developed countries is to be organised.

The timetable outlined by the developing countries for application of the last three demands—rollback, safeguards and special treatment—need not block a decision this week to form a preparatory committee. The sharpest confrontation will come over services and the standstill requirement.

A matter of concern for the US negotiators on these two key issues is the standpoint of the European Community. US officials feel that the EEC has been encouraging resistance among the developing countries by emphasising its desire for a consensus. US suspicion is directed mostly towards France.

SHIPPING REPORT

Tanker rates continue to improve

By Andrew Fisher, Shipping Correspondent

TANKER RATES moved ahead last week, continuing the advances seen this month after a prolonged period of depression.

Although there is plenty of bad news in the shipping industry, with shipowners' financial problems coming under increasing scrutiny, both the oil and dry cargo shipping markets have seen increased activity.

The upturn in tanker rates also continued to raise prices in the secondhand market, with owners often preferring to hang on to ships rather than sell them.

According to Galbraith's, the UK shipbroking firm, VLCCs (very large crude carriers) found business at a fair pace. Most tankers were fixed privately, however, especially those from the Iranian terminal of Sirri Island.

But rates seem to be around Worldscale 35 for cargoes of 270,000 tons from the Gulf to the UK and Worldscale 50 to the East, both well up on levels earlier this year.

Dry cargo rates were maintained but business was modest. Rates were firmer on the Pacific than on the Atlantic, and little chance of increases in grain rates from the US Gulf to Europe is foreseen.

Trivial Pursuit game to be marketed in China

BY TONY COZIER IN BRIDGETOWN

TRIVIAL PURSUIT, the popular board game with international sales of over $1bn (£700m) is to be launched in China next year, its marketing company has announced.

Mr Blake Le Blanc, head of Horn Abbot International, based in Barbados, said an agreement has been reached with Shanghai Toys a Chinese toy company and sanctioned by China's Light Industries Ministry, for the manufacture and distribution of the general knowledge game in China.

The deal resulted from a meeting with Shanghai Toys at a Sydney, Australia trade fair in April. Mr Le Blanc said he expected the project to get off the ground in April.

The Chinese were interested in the game because of the tchnology in printing and manfacturer of components it offers. Toys comprise one-third of China's exports to the US.

The arrangement "is not a joint venture" and the "royalty agreement obviously is not the same as it is elsewhere."

Mitsubishi, Hyundai in deal

BY STEVEN B. BUTLER IN SEOUL

MITSUBISHI Motors of Japan has agreed with Hyundai Motors of South Korea to market 30,000 Hyundai cars in the US beginning in 1987.

The deal marks an important departure from Hyundai's strategy of marketing its cars solely through a network of independent dealers. It has signed on about 130 dealers in the US so far and is expected to begin sales early next year.

Hyundai has set an annual target of 100,000 cars in its first year of US sales. It said at the weekend that the Mitsubishi sales would be in addition to its original sales target.

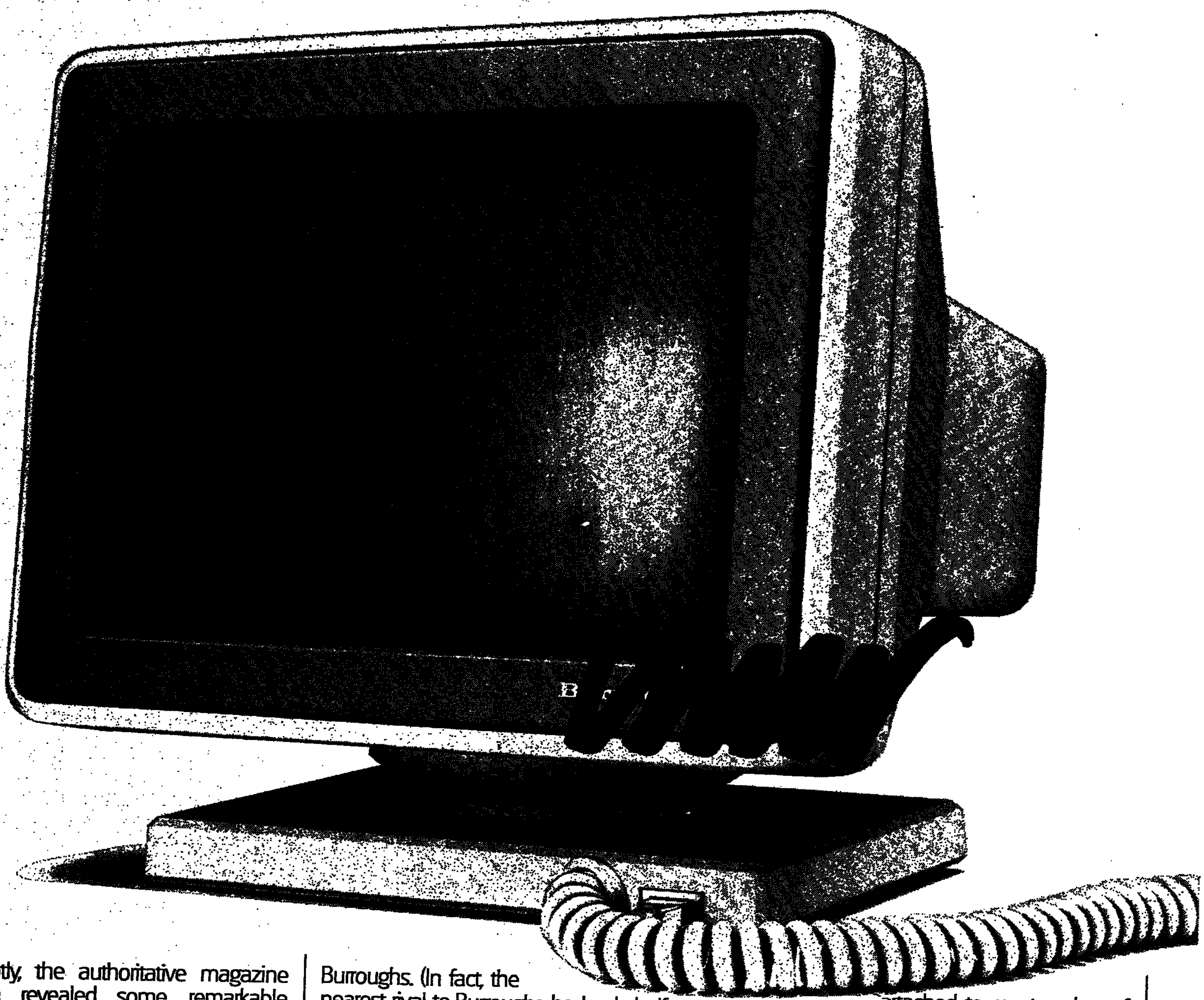
World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Sept 85	Aug 85	July 85	Sept 84
US	8,671	7,894	7,958	6,036
UK	8,187	8,137	8,109	6,622
W. Germany	37,560	36,870	35,937	35,722
Japan	23,106	24,106	23,787	21,436
Italy	18,418	19,203	19,535	18,329
France	21,000	20,536	21,547	20,278
Belgium	3,800	3,843	4,051	3,692
Netherlands	8,933	8,436	8,050	8,153

Source: IMF

IBM, DEC, BURROUGHS. WHICH ONE DO MORE PEOPLE CLUSTER AROUND?



Recently, the authoritative magazine Datamation revealed some remarkable statistics.

They were reporting on a survey into the market share of all the companies manufacturing multi-user micro systems.

As you know, they're the systems that allow users to work together, sharing information and other system resources such as peripherals and data communications links.

Number One in Datamation's table was Burroughs. (In fact, the nearest rival to Burroughs had only half the share.)

Burroughs B20 systems can cluster up to 64 workstations. Unlike an ordinary PC the system was designed from the outset with its own processor and memory, allowing users to process their personal tasks and to share information in a genuinely multi-user environment. Yet its footprint is about the same size as an in-tray.

You will find Burroughs B20's are already attached to most makes of mainframe and mini-computers. Operating as your workstation, it can retrieve data from the host or from a variety of other information sources.

The information we want to share with you now is that if you want to talk to Number One, talk to Burroughs.

Call Brian Reynolds on 01-750 1420, or write to him at Burroughs Machines Limited, Heathrow House, Bath Rd, Hounslow TW5 9QL.

UK NEWS

Frustrations on the fraud trail

Disquiet at the slow pace of official action on suspected fraud in London's financial community comes from the authorities as well as City institutions. John Moore reports.

CITY of London interests, frustrated by the apparent lack of action in serious fraud cases have been mounting a barrage of criticism at the office of the Director of Public Prosecutions.

Sir Nicholas Goodison, chairman of the London Stock Exchange, wrote earlier this month to Mrs Margaret Thatcher, the Prime Minister, saying that "there is a continuing and worrying failure to bring prosecutions against individuals who, on the basis of evidence we have been able to unearth, seem highly likely to have been involved in financial fraud."

Sir Nicholas continued that the situation was "bound to damage the reputations of those City institutions which believe in the effectiveness of self-regulation."

In Parliament last week Mr Brian Sedgemore, a vocal Labour MP, accused the Director of Public Prosecutions, Sir Thomas Hetherington, of incompetence and a failure to prosecute cases of alleged fraud in the Lloyd's insurance market.

Senior staff in the DPP's office are also frustrated at the slow progress in major fraud cases. "I am very conscious of the delay," said Mr John Wood, deputy Director of Public Prosecutions in a recent interview with the Financial Times. "We are not in the market for delay. The more delay there is the more cases we have on our plate and the more difficult our life becomes. We are anxious to get on with things as quickly as possible."

It was, he said, "very easy" to prosecute in complex fraud cases, but it was "very difficult" to get convictions. "I do not think we are justified in prosecuting where we think a criminal offence has been committed and where the chances of conviction are pretty remote. These cases are extremely expensive. They clutter court time, and court time is very valuable. There is not a great deal of mileage in spending a six-figure sum of money in the knowledge that the end result will be an acquittal. I hope we are very careful in prosecuting those cases where we have a reasonable of chance of conviction."

The office of the DPP considers fraud cases through three divisions – one dealing with the major cases in London, another with the major cases in the provinces, and the third to deal with whatever is left over. "Unfortunately, due to the enormous volume of work this is not working as it should and we are having to spread the work load as evenly as possible." Mr Wood said.

He cites a number of factors which make the pursuit and successful prosecution of fraud cases difficult in Britain.

Mr Wood says that in a number of major fraud cases in London co-operation received by the office has been "minimal, sometimes nil."

"We get very good co-operation from the institutions involved, but you have to remember a witness in this country is not obliged to make a statement. If he does not wish to make a statement there is no way we can make him make a statement until proceedings have started," he says. "It is a chicken-and-egg situation. You cannot really start a case until you have the evidence there. You cannot start a case on the speculation that someone might be prepared to tell you what happened. If the witnesses are somehow involved, even on the periphery of a case, then they are reluctant to assist. If they have skeletons in their cupboards, as many of them have, they are extremely reluctant to give evidence."

Another difficulty is the increasing internationalisation of fraud. Those involved in some of the troubles in the Lloyd's insurance market now under DPP consideration have used numerous offshore centres such as Liechtenstein, Bermuda and Panama. "We have to go overseas to get the evidence. There is no such thing as an international subpoena," says Mr Wood. "We can go to the foreign state and say 'we should like this evidence and will you please assist us'."

The reaction was generally co-operative. "But the foreign witness might say that he does not wish to get involved, and there is no way we can make that person talk."

The public prosecution office has found overseas witnesses sometimes indicated they would appear and then at the last minute changed their minds. "We have spent thousands and thousands of pounds preparing a case only to find that case has been lost because one witness will not come to testify. It quite often happens."

Moreover, the criminal laws on evidence in Britain are burdensome. "In this country one needs to call every single witness in person to give evidence unless your have an agreement with the defence. That can be a very onerous task indeed," Mr Wood said. "It is also another rule of prosecution evidence that the best evidence must be obtained. You have got to look for the originals of documents. If you cannot find the originals, then you can produce copies. If you have not looked for the originals the judge will rule that the copies are inadmissible. In the Lloyd's case there are probably over a million documents, and they are all over the place."

He explained that that was one of the DPP's biggest problems. "The story is known to the public at large through hearsay evidence and a copy of a document. This is not good enough for a criminal prosecution." Proper audit trails have to be established in a fraud, supported by the best available evidence.

The British Government is sensitive to accusations that little is being done about fraud. "fraud investigation groups," known as Figs, have been formed to deal with major fraud. These have been formally operating since the beginning of the year, and informally up to 18 months before that period.

A variety of expertise is drawn together in these groups. When a complaint of fraud is made to the Department of Trade and Industry, the London fraud squad, or more rarely to the office of the DPP or the police a decision is made on whether it is a major case to be sent through to the Figs. Fraud investigation group work is co-ordinated by Mr Doiran Williams, a lawyer in the DPP's office.

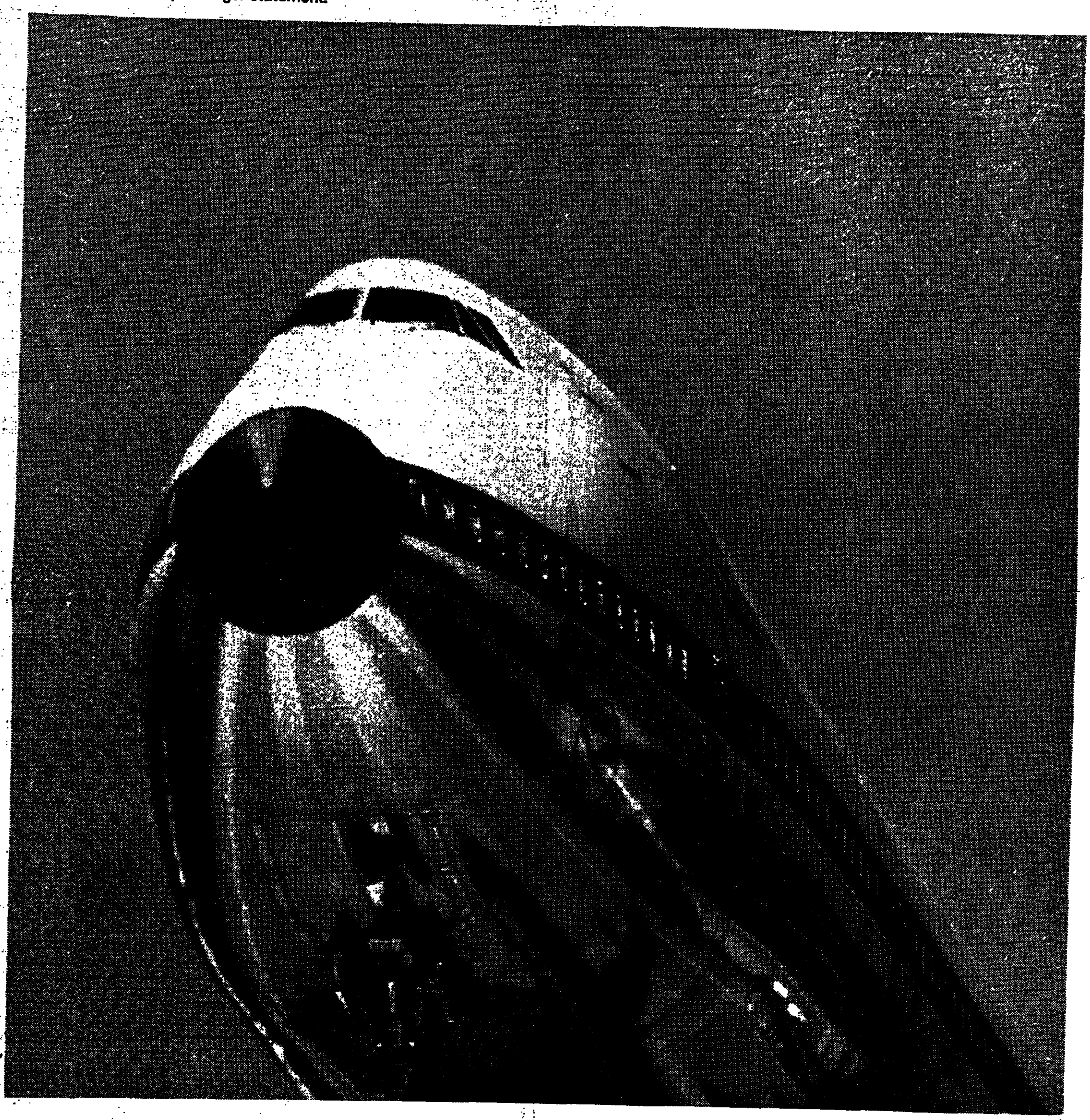
A fraud investigation group is formed of representatives of the police, the Department of Trade and Industry, accountants, lawyers, and the public prosecutions office. They pool their information, which is the ideal, but encounter enormous difficulties. "This occurs mainly because evidence is unavailable, through reluctant witnesses, witnesses who are overseas or destroyed documentation," says Mr Wood.

In both the current and proposed self-regulatory systems for Britain's financial community Mr Wood observes that "you have a tug-of-war between criminal proceedings and disciplinary proceedings." Very often disciplinary proceedings in the City are held before criminal proceedings are launched "so that any form of prejudice in a criminal case disappears." If action by City bodies and the DPP followed swiftly the defendant in a subsequent action might argue successfully that he could not have a fair trial.

"Lloyd's are very experienced at this and are careful about it. There is not too much of a problem because there is always consultation," Mr Wood says.

Appeal court judge Lord Roskill is reviewing the way in which fraud cases should be dealt with in British courts. The DPP's office would like some method of producing overseas evidence in court without producing a witness physically. The office would also like to ensure that the prosecution and defending counsel agree as much as possible on the issues involved in a fraud trial so that the trials can be kept to minimum duration.

The public prosecutions office feels that "conspiracy to defraud" charges have been discredited to some extent. This is because it has proved virtually impossible to pursue cases against members of market places where day-to-day trading can become mistaken for conspiracy. That category of charge is under review.



UK NEWS

Car export rise helps to cut motor trade deficit

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK experienced some slight relief from the serious deterioration in its balance of trade in motor industry products during the third quarter. But over the first nine months of this year, the deficit was substantially worse than for the same period of 1984.

The third-quarter improvement, from a deficit of £824m last year to £600m in 1985, was mainly caused by an increase in car exports, which grew by 45 per cent in value and volume alike.

Jaguar, with exports to the US in particular, and BL's Austin Rover subsidiary, which has been doing better on the European continent, contributed to the third-quarter upswing.

In the third quarter, the volume of car exports was up from 43,769 last year to 63,320 and for the nine months the improvement was from 163,788 to 181,257. In contrast, car imports fell by over 2 per cent in volume, from 249,246 to 243,477 in the third quarter because Ford was supplying more of its sales from British factories.

For the nine months, the volume of car imports rose only marginally from 849,525 to 852,797.

There is now some concern that Britain's parts and accessories business might fall into the red. Imports are growing faster than exports, reflecting to some extent the growing proportion of imported vehicles on British roads that require replacement parts.

Well over half of the new car sales in the past five years have been taken by imported models.

The Society of Motor Manufacturers and Traders (SMMT), which monitors the Customs and Excise statistics, said at the weekend that the substantial 17.5 per cent deterioration in the adverse trade balance for the nine months was greatly influenced by the seven-week strike of metalworkers in West Germany, which held vehicle imports from that country at a low level in early 1984.

The nine-month deficit of £2.244bn this year was still 11.64 per cent worse than the £2.01bn in 1983, during which period there was no distortion.

The deficit in the UK's commercial vehicle business – which was in the black until as recently as 1983 – soared by 80 per cent in the first nine months of this year.

● Toyota will in future employ its UK associate Lotus to evaluate all the cars the Japanese group feels are its key models for Europe, Mr Shiro Sasaki, a managing director with responsibility for research and development, said at the weekend.

Lotus is now 21.5 per cent owned by Toyota, Japan's largest automotive group, after a recent purchase of more shares.

Mr Sasaki pointed out that Lotus had a better understanding of the European motorist's requirements than Toyota could hope to have at the moment.

In return, the British sports car group is buying Toyota components for some of its cars.

Toyota is looking for steady but relatively substantial growth in West European car markets. This year it will sell over 300,000 cars, an increase of about 10 per cent on the 1984 total. It hopes for a similar percentage rise next year.

Mr Sasaki said Toyota was spending at the rate of 4 per cent of turnover a year on research and development and employed 11,000 at three R and D centres in Japan.

In 1984 the R and D bill was equivalent to $850m and spending would continue at least at that level. He insisted that Toyota was not deliberately moving its products up market, but would continue to develop everything from cheap, value-for-money cars to superior sports cars so as to be able to meet market demand whichever way it went.

The group, however, is building a test track capable of testing cars up to 250km an hour, which suggests a certain commitment to high-performance vehicles in future.

UK motor trade £m first nine months

Exports	1984	1985
Cars	711	944
Comm vehicles	295	301
Parts/accessories/others	2,224	2,469
Imports		
Cars	2,872	3,251
Comm vehicles	432	548
Parts/accessories/others	1,637	2,159
Trade balance		
Cars	−2,161	−2,307
Comm vehicles	−137	−247
Parts/accessories/others	587	310
Total	−1,910	−2,244

Source: SMMT and Customs and Excise

US drug companies gain in rankings

BY TONY JACKSON

US DRUG companies moved into the lead last year as the world's largest in sales terms, according to the UK pharmaceutical newsletter Scrip.

The West German chemical companies Hoechst and Bayer, first and second respectively the previous year, have been replaced by the US groups Merck and American Home Products.

Hoechst, however, retained its number one position if the $582m sales of Roussel Uclaf, its French subsidiary, are included in the calculation.

The strength of the dollar last year had an important effect on the rankings, although international comparisons are drawn up on average rather than closing exchange rates.

The largest UK drug company was again Glaxo, ranked 18th in the world, with estimated pharmaceutical sales of $1.152bn. ICI, at 20th with sales of $1.075bn, was followed by Wellcome, 23rd with estimated drug sales of $968m, and Beecham, 24th with sales of $878m. Next in the UK came Fisons, 56th in the world with sales of $265m, and Boots, 59th with an estimated $253m.

Swiss and US companies led the field in the number of compounds under development. Hoechst once again took the lead if combined with Roussel Uclaf, with a total of 140 compounds being researched, of which it developed 104 itself.

US companies took a clear lead in profitability. Eli Lilly, Johnson & Johnson, American Home Products, Pfizer and SmithKline Beckman all achieved operating margins of over 31 per cent. Next in the field came ICI with margins of 30.9 per cent.

The biggest spender on drug research and development was the Swiss group Ciba Geigy, with an estimated outlay of $324m, followed by Hoechst with $303m, SmithKline with $227m and Bristol-Myers with $211m.

Scrip Pharmaceutical Company League Tables 1984–85, available from PJB Publications Ltd, 18–20 Hill Rise, Richmond, Surrey, TW10 6UA.

THE WORLD'S TOP DRUG COMPANIES (1984–85)

Ranking		Drug sales ($bn)	Sales change %
1 (3)	Merck & Co (US)	2.86	+9.7
2 (4)	Amer. Home Prods (US)	2.42	+6.1
3 (1)	Hoechst (W.Ger)	2.38	−8.8
4 (2)	Bayer (W.Ger)	2.19	+1.7
5 (5)	Ciba-Geigy (Sw)	2.18	+2.5
6 (6)	Pfizer (US)	[illegible]	+1.3
7 (8)	Abbott (US)	[illegible]	+6.7
8 (7)	Eli Lilly (US)	[illegible]	+1.1
9 (9)	Bristol-Myers (US)	[illegible]	+5.4
10 (11)	SmithKline (US)	[illegible]	+4.3

R&D compounds under development

Ranking, Dec 1984	Company	No. of compounds	% of own devel.
1 (6)	Ciba Geigy	[illegible]	85
2 (3)	Bristol-Myers	[illegible]	57
3 (1)	Roche	[illegible]	64
4 (2)	Hoechst	[illegible]	88
5 (5)	Merck	[illegible]	57
6 (4)	American Home Prods	[illegible]	53
7 (7)	Johnson & Johnson	[illegible]	56
8 (11)	Lilly	[illegible]	52
9 (20)	Rhône Poulenc	[illegible]	41
10 (9)	Roussel Uclaf	[illegible]	36

State benefit rise provokes row

BY ROBIN PAULEY

ALL SOCIAL security benefits rise today in what is likely to be the largest increase during the second term of Mrs Margaret Thatcher, the British Prime Minister.

However, benefits for children will rise only marginally and a group of about 60 organisations has launched a campaign to improve the payments.

The campaign has received messages of support from leaders of all main opposition political parties and from Mr Patrick Jenkin, the former Conservative Cabinet Minister who was Social Services Secretary in Mrs Thatcher's first administration.

The campaign was launched to coincide with today's uprating in social security benefits. Most benefits will rise by 7 per cent, based on the rate of inflation in the year to last May.

Although pensions rise by the full amount, the housing benefit formula has been changed in a way that will mean 1.2m pensioners will lose some or all of their benefit.

Supplementary benefits, moreover, are rising by only 5.1 per cent because of the exclusion of housing costs, which are covered by the separate housing benefit.

Child benefit, however, fares worst. It rises today from £6.85 a week for each child to £7 a week, a rise of only 2.2 per cent

It represents a 4.8 per cent cut in real terms in the value of child benefit, which will reduce the £4.5bn a year child-benefit budget by around £175m.

About 10 per cent of the saving is being redirected towards poorer families through family income supplement payments but the rest is a gain for the Exchequer towards tax cuts the Government plans for the next budget.

The campaign to save child benefit, under the auspices of the Child Poverty Action Group (CPAG), is supported by a wide range of political, local authority, voluntary and family organisations and the TUC.

They fear that its value as a universal benefit will be allowed to wither away once the Government has introduced its proposed family credit in the reform of the social security system.

UK NEWS

Employers see increase in confidence

BY PHILIP STEPHENS

BRITAIN'S manufacturing companies have reported an improvement in business prospects during the past month, due in part to the weakening of sterling against other European currencies, the Confederation of British Industry (CBI) says today.

The latest monthly Industrial Trends Survey published by the employers' organisation shows that order books in domestic and overseas markets picked up slightly in November, while manufacturers are still forecasting rises in output. A separate CBI review of economic prospects, also released today, predicts that the recovery will continue next year, but the growth rate will slow to around 2.5 per cent from this year's 3.5 per cent.

The survey suggests that while industry remains far less confident than in the early months of this year, some of the gloom in the summer has lifted.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said movements on the currency markets were partly responsible for increased confidence.

"The recovery in export business is due in part to the more competitive level of sterling against the Deutsche Mark. From a peak of DM 4.08 in July, it now stands at DM 3.74. This is an improvement but it is still too high," he said.

The survey shows a fall in the number of companies reporting order books below normal from 30 per cent in October to 25 per cent this month. The number reporting orders above normal rose from 17 to 20 per cent.

The percentage of companies forecasting higher output, however, is still relatively low in comparison to previous surveys, and the CBI has renewed its call for an immediate cut in interest rates to improve industry's competitive position.

The CBI says growth in exports is likely to slow from the 8.75 per cent anticipated for 1985 to about 4.5 per cent next year, and is expected to weaken further in 1987 as a loss of competitiveness reduces Britain's share of world markets.

In contrast, foreign suppliers are expected to win a larger share of the UK market with imports projected to increase by 6.8 per cent in 1986 and by 5.3 per cent the following year.

QUESTIONS OVER LIVERPOOL'S ANSWER TO CASH CRISIS

Brakes on budget plan

BY NICK BUNKER

LABOUR leaders of Liverpool City Council left many questions unresolved on Friday night when they promised an alternative budget to end the city's financial crisis.

Some answers will emerge this morning when the council's finance and strategy committee is expecteu to approve the new budget.

Three factors, however, should induce caution. First, 49 out of the 58 Labour councillors still face possible surcharge and disqualification from office by the District Auditor because of alleged losses to the authority incurred through their delay in setting a rate this year. No final outcome of the District Auditor's move is anticipated until a High Court hearing in January adjudicates an appeal by the 49 councillors.

Second, Liverpool is now a rate-capped *authority* – that is, the Government can put a limit on its rate charges. The Department of the Environment is likely to announce next month the maximum rate Liverpool can levy in 1986-87. The figure will determine how Liverpool manages its finances over the next 18 months and may lead to a renewal of the conflict between the council and Whitehall.

Third, the precise shape of the alternative budget may contain surprises from Mr Tony Byrne, the council's finance chairman, as he tries to defend his ambitious house-building programme while also removing the £75m deficit in the city's 1985-86 budget.

Mr Byrne's possible options were revealed in the fine print of the report which was prepared by a team of independent experts led by Mr Maurice Stonefrost, chief official of the Greater London Council.

The report shows that Liverpool can balance its books this year without a rate increase by financing with borrowed money spending currently charged to its revenue account. In 1985-86, the spending that can be capitalised in this way amounts to at least £31m, made up of £7m in repairs and maintenance for non-housing buildings, £12m for housing repairs and maintenance and another £12m required to subsidise losses incurred over two financial years by the city's direct labour organisations.

Capitalisation of £31m is more than enough to bridge the £75m deficit because the latter figure largely reflects the Government's practice of multiplying by three a council's excess expenditure when officials calculate reductions in grant imposed as a penalty.

Previously, Mr Byrne had flatly rejected capitalisation, arguing that it would eat heavily into the council's house-building programme, with which he is closely identified and which is expected to cost £112m in 1985-86 alone.

Last week, however, Mr Byrne apparently relented and agreed to capitalise, financing it through the use of a £30m deferred payment scheme arranged with foreign banks some months ago by Phillips & Drew, the stockbrokers. Under the scheme, the bankers will pay either for housing repairs or new house-building and be repaid by the council in annual £8m instalments.

Liverpool city council officers and local government finance experts believe that this will probably reduce capital resources available for Mr Byrne's house-building. The effect may, however, be less than anticipated.

First, Liverpool has some small extra resources, mentioned in the Stonefrost report. It can sell £11.5m in housing association mortgages and use the money to finance its capital programme, provided it has Whitehall's approval. It could also derive an extra £1.3m from changes in interest payments on its long-term debt.

It might also be able to borrow an extra £2.5m if it decided to lease rather than buy central heating equipment.

Another potential asset is the £3m in borrowing rights likely to be offered to Liverpool by member councils of the Labour-controlled Association of Metropolitan Authorities.

Editorial comment, Page 16

Union and Labour leaders to debate 'fair wages strategy'

BY JOHN LLOYD, INDUSTRIAL EDITOR

LEADERS of the Trades Union Congress (TUC) and the Labour Party will today begin talks on two key issues for the party's programme in the next election – wages and an incomes policy, and labour law and employee rights.

A document to be considered by the TUC-Labour Party liaison committee focuses on a "fair wages strategy" and on labour laws – the central matters for debate over the next 12 months and ones on which the Labour and union leaders hope to get agreed statements by next autumn's conferences.

Leading members of the party will put considerable pressure on union leaders to agree a statement on wages that will allay public fears on inflationary wage claims under a future Labour government, and to accept that some at least of the statutory rights granted to union members in the 1984 Trade Union Act must stay under Labour.

The wages issues will be discussed in the context of protection for the lowest-paid workers, whose position is seen by the paper before the liaison committee as having deteriorated because of the repeal of the fair wages resolution – which put a floor on public-sector wages – and the removal of Wages Council protection for young workers.

The two sides are committed to produce a "fair wages strategy," which will include consideration of a statutory minimum wage. The most commonly favoured version of such a wage is pitched at two thirds of the average wage, or about £100 a week.

The Transport and General Workers Union, the country's largest, remains opposed on principle to a statutory wage – although it is Labour Party policy and many believe it is likely to be adopted as an election pledge.

The paper for the committee does not explicitly raise the issue of an incomes policy, although it is implicit in the consideration of a strategy to bring up the wages of the lower paid while not allowing the higher-paid to move up in line and thus stimulate inflation

Mr Roy Hattersley, the Labour Party's deputy leader, has said he favours an agreed incomes policy with the unions, but the indications are that the task of achieving one will be hard fought.

On labour law, the paper says the liaison committee must consider Labour's pledge to repeal and replace all the Conservative Government's employment legislation in the light of a consideration of "positive rights" for workers.

Scope for tax cuts linked with inflation

BY MICHAEL PROWSE

THE CHANCELLOR of the Exchequer could afford to cut the basic rate of income tax to 27p in the pound, says a buoyant forecast of the UK economy by the City University Business School in London.

The school's autumn economic review, published this morning, suggested there was a direct trade-off between tax cuts and falling inflation. In the absence of tax cuts, inflation would fall to zero.

If the standard rate was cut to 27p in the pound in next year's budget, inflation would be 1 percentage point higher than with no tax cut. If the rate were cut to 23p in the pound, inflation would be only 2 percentage points higher.

The report says lower tax rates would have little short-run effect on either growth or unemployment. However, in the longer run they would lead to "a progressively lower real wage and progressively higher employment."

The review is optimistic about the UK economy during the next three years. Assuming the basic rate of tax is cut to 27p in the pound next year, it projects average GDP growth of 3.9 per cent a year between 1986 and 1988.

It says unemployment will fall to 2.8m next year, 2.4m in 1987 and 2m by 1988. Inflation is forecast, for the same years, at 3.6 per cent, 3 per cent and 5.1 per cent respectively.

The rosy forecast is partly attributed to benign "supply-side" developments. Prof Michael Beenstock, the economist responsible for the forecast, argues that the Western world is entering a "post-Opec dawn." He says the disintegration of the oil cartel implies that the damage to the world economy in the 1970s will now be reversed.

The business school's optimism over inflation and growth reflects its assumption that oil prices will continue to fall in real terms and that commodity prices will remain weak.

Prof Beenstock says most conventional UK economic forecasts are unduly pessimistic because they concentrate on the demand side of the economy. His model concentrates on supply-side factors and thus puts more weight on the prospect of cheaper oil.

The report's prediction of a big fall in unemployment is based partly on the forecast of rapid GDP growth and partly on the expectation that fewer people will seek work. It says the population of working age will cease to grow after 1987 and that the growth of the female labour supply is set to slow down as participation rates reach a high plateau.

However, the review emphasises that employment prospects remain blighted by the rapid growth of real wages, especially in manufacturing. It says higher productivity is the result of rapid real-wage growth rather than the reverse.

On monetary policy, the report warns the Chancellor against committing the "ancient fallacy" of using interest rates as an indicator of financial conditions. It says that led to high inflation in the early 1970s.

Rather than abandoning monetary targets, the Chancellor should now place full weight on a narrow measure of the money supply such as M1 or Mo.

● Manufacturing industry remains in a "deep economic depression", according to a separate article in the review by Mr Richard Taffler.

Mr Taffler says 18 per cent of listed industrial companies are still at risk of bankruptcy, 50 per cent more than in 1979. An overall measure of corporate health, based on balance-sheet strength and profitability, shows that, on average, surviving UK companies are still performing 6 per cent worse than in 1974 and 27 per cent worse than in 1977.

Pension funds urged to scale down assets

BY OUR ECONOMICS CORRESPONDENT

THE GOVERNMENT could boost its tax revenues by around £1.75bn a year for the next decade if pension funds were made to scale down their resources to the level needed to meet their obligations, the London Business School (LBS) says.

The LBS says in an analysis of Britain's £250bn pensions industry in the latest issue of its Financial Outlook that on conservative estimates the pension funds have surplus assets worth around £50bn.

This worth has outstripped the liabilities of funds partly because of the sharp rise in asset prices in the UK and abroad in recent years. In addition, a rapid rise in redundancies between 1980 and 1983 has cut benefits to future pensioners.

The LBS says that, while the Government has pledged not to alter the tax advantages enjoyed by pension funds, it could boost its tax revenues within existing rules by insisting on a run-down of surpluses.

Under the proposal, companies whose pension schemes were in substantial surplus would, over a number of years, suspend or reduce contributions and perhaps increase benefits available to pensioners.

Based on a cautious estimate of surpluses of £50bn this would involve reduced contributions or improved benefits of some £5bn a year.

Tour price war widens

BY ARTHUR SANDLES

SEVERAL more shots will be fired in the holiday marketing war this week as the industry gathers for another of its periodic meetings – the World Travel Market, which opens at Olympia, London, on Wednesday.

Many smaller operators, who have not yet disclosed their plans for summer 1986, could do so at the market, and industry leaders Thomson and Intasun have further programmes to present.

There would also be more details of the plans by Germany's TUI company which is about to launch what it calls "a major programme" in the UK under the Touropa label.

Touropa will aim at the growing seat-only market, where customers buy only charter seats and find their own hotel or villa accommodation. The German company will use its huge buying power in the Mediterranean to offer beds with UK flights.

A spokesman for the company said: "We are bringing to the market an accommodation data bank, the largest facility of its kind in the world, to service vast seat-only and self-drive demand in Britain."

UK NEWS

David Brindle examines British Rail Engineering's strategy for former workshops

BREL site revivals gather pace

THE "SITE FULL" signs are being prepared for the former railway-wagon workshops in Shildon, County Durham, for what would be a remarkable achievement for the alternative employment strategy of British Rail Engineering (BREL).

Ten companies have so far set up shop on the site and negotiations are under way for the disposal of the six remaining lots. Seventeen months after the workshops closed with the loss of 2,600 jobs, BREL's £5m strategy – £1.75m of which is earmarked for Shildon – looks poised to win its spurs.

"We are very surprised: for a comparatively modest outlay, a considerable amount has been achieved," says Mr Allan Roberts, chief executive of the local Sedgefield District Council, which has worked on the project with BREL, Shildon Town Council, and the development agency created by the three.

"My only regret is that now we have an empty STC factory on our hands. We also had to cope with a major Courtaulds closure. In each case, we have had nothing like the help and support we have had from BREL."

That is a glowing tribute to what is an unusual commitment by a retrenching employer, albeit one in the public sector. Unlike the British Steel Corporation and the National Coal Board, however, BREL has no access to EEC funds to pass on when pulling out of dependent communities. It also makes a three-year commitment to follow through its initiatives.

But Mr Robert's sentiments are not universally shared: in Swindon and Glasgow, where BREL is closing workshops, the local authorities have, BREL says, been blocking progress on Shildon-type projects to redevelop sites and to assist companies taking on displaced workers elsewhere.

Redundancy notices are due to go out within the next fortnight to most of the Swindon workforce, taking effect next March. Mr Andy Gray, BREL's alternative employment manager, said: "If we had co-operation from the council, we would by now have been well down the road to creating an industrial estate."

BREL's strategy applies to four locations – Shildon, Swindon, Glasgow Springburn and Horwich, Greater Manchester – where workshops have been or are being closed or run down.

In each case, BREL's commitment is to share the running costs of a development agency and to provide grants or loans to employers creating jobs in the area to a maximum of £100,000 a company. Employment of each former BREL worker qualifies for a premium of £30 a week for 12 months.

At Shildon, the strategy is said to have created 500 jobs, with an estimate of 800 more during the next three years. At Horwich, 55 companies have been assisted with a job-creation potential of more than 300. Fifteen companies employing 100 people have been established on the former workshops site.

All sides agree that much of the success of the strategy is attributable to the enthusiastic support of Mr David Mitchell, Junior Transport Minister. (The Government has allowed the British Railways Board to carry the expenditure within its borrowing requirement.) But the initiative almost certainly came from Mr Alan Dunkley, BREL's personnel director.

He says: "We would have gone ahead even without the Government's help. I think it is the responsibility of employers who are deciding to pull out of sites and are creating hardship for their employees and communities."

Mr Dunkley is, therefore, angered at the claimed lack of co-operation from Labour-controlled local authorities in Swindon and Glasgow. In Swindon, for example, BREL's plans to redevelop the workshops site are held up until Thamesdown Borough Council agrees to discuss improved road access.

Thamesdown's attitude is likely to change after last Friday's vote by the workforce to accept the workshops' closure, but there will clearly be residual bitterness to overcome.

Mr Arthur Miles, the council's leader, says BREL has not been trusted since its former plans to rationalise the workshops turned overnight into outright closure. Talks were broken off at that stage in support of the workforce. Further, he says, the council is highly sceptical of the claims of job creation at Shildon.

Similarly, Mr David Wiseman, deputy leader of Glasgow District Council, says the authority does not accept the case for closing the works at Springburn – where local unemployment is 25.9 per cent – and wants BREL to open its books to justify the decision.

Mr Andy Gray, BREL's alternative employment manager and a fourth-generation railwayman from Springburn, understands the councils' reservations. He believes, however, they are profoundly wrong.

"We would all like to see a flourishing railway works, but BREL is suffering and the onus must be on doing what we can to provide jobs for ex-railwaymen and their sons."

FURTHER job losses at BREL workshops are described by the company as "inevitable" because of the declining maintenance requirements of British Rail's rolling stock.

Mr Alan Dunkley, BREL's personnel director, said: "We have reached a pause, but undoubtedly there will be further contraction. It is pointless hiding the fact that the maintenance workload will continue to drop."

Almost 5,000 jobs are being shed under the current redundancy programme, leaving a workforce of some 22,000. While forecasting further erosion of the total, Mr Dunkley said he did not envisage more site closures at present.

BR's corporate plan, published this month, projects a reduction of 26 per cent in its freight wagon fleet during the next five years and promises an extension of competitive tendering for maintenance of wagons and locomotives.

In addition BR's policy of dual-sourcing the building of new stock is cutting into BREL's order book. BREL sales teams are this month visiting India and the Soviet Union in search of orders to cushion the effect on jobs.

UK NEWS

FINANCIAL FUTURES & OPTIONS

The above survey, due to appear in today's paper, will now be published on Wednesday December 11th

THE WEEK IN THE COURTS

Standing firm on the question of sit-down justice

TO STAND or not to stand was the burning question which the Court of Appeal was asked to determine last week. In the event the court combined good sense with a mild dose of *amour-propre* in deciding that if a court orders somebody to stand when addressing it, such an order is like any other court order—it must be obeyed.

Mr Sardar Tajendrasingh, who states that he has no respect for this country and even less regard for its judiciary, appeared before a county court judge in Cambridge, insisting that he would not stand up to address the court. The judge ruled that actions brought by Mr Tajendrasingh over money he claims he is owed were to be suspended until he gave a written undertaking to stand up in court when pursuing his claim.

It was against that ruling that Mr Tajendrasingh appealed to the Court of Appeal. There is no hard-and-fast rule about the posture of people appearing in the courtroom. The infirm or the sick are always allowed to conduct their case sitting down. So as not to prejudge Mr Tajendrasingh's case the Court of Appeal exercised its discretion with good sense by allowing him to sit down while arguing why that should be his usual mode of advocacy.

The demand for sit-down justice may have touched upon a raw nerve of the judiciary, which likes to command instant respect for the law by imposing a little bowing and scraping. If that is what impels the demand judges would do well to consider whether it actually furthers the cause of justice.

Respect is due to any institution only by virtue of the way the institution discharges its duties. Nobody is entitled to respect simply because of the office he holds. If a litigant wants to sit down and address the court, he should be allowed to do so. It is not wise for a court to get itself involved in refusing to hear someone simply because he declines to demonstrate his respect in the accepted manner. So long as the person can be heard and seen, the course of justice is not one wit hampered. It is only when the individual conducts himself in a way that actually impedes the orderly proces of the law that the court should make orders to restore the equilibrium of the proceedings.

As the Master of the Rolls pointed out, standing up in court makes it easier for others to se who "had the floor" and for the individual to be heard by everyone in the courtroom.

But there are many instances where the proceedings can be the more readily conducted when everyone is sitting down. When there is a large amount of documentation, it is easier for the handler of the documentary material to be seated. Many tribunals of inquiry are conducted with everyone sitting down. Many speakers feel more comfortable that way.

Appearing before courts of law is, for many, a daunting experience; the legal system should acknowledge that fact by conceding the desire to talk sitting down. Courts are made for litigants, and not litigants for the courts. Consistent with its ability to conduct the proceedings with decorum, a court should be flexible in its application of the procedural formalities of the process.

The Court of Appeal did not say anything that should discourage judges from being flexible. But once the county court judge had made its order that Mr Tajendrasingh should stand to present his case, the Court of Appeal was bound to uphold that order. No court can concede a disobedience of its orders. That is not because the court wishes to exhibit its self-esteem, but because the law must be enforceable in the eyes of the citizenry. The sensible rule for all courts is not to make orders where their enforcement might lead people to think that they are absurd or ridiculous.

Today the same Court of Appeal turns its attention to rather more pressing matters of state. The Department of Health and Social Security is appealing against a ruling in the summer that certain regulations controlling the amounts payable for board and lodging accommodation were invalid. Mr Justice Mann decided that there was no statutory provision enabling the Social Services Secretary to make changes without an affirmative resolution of parliament. Parliamentary approval had not then been obtained.

Although new regulations have now been validly made, much still depends on the Court of Appeal's decision. Other claimants who, since the invalid regulations came into force at the end of April 1985, have had imposed on them a new maximum limit.

Last month Camden Borough Council was given leave to challenge the same regulations which imposed a maximum of £70 per week to be payable to boarders in the Camden area of London. Camden has experienced an increasing financial burden of housing homeless people in board and lodging accommodation, to the tune of £30,000 a week. Other local authorities are known to be experiencing similar difficulties.

Justinian

INSURANCE

A wintry wind batters the calculations of property underwriters

BY ERIC SHORT

FOR nearly 50 years UK insurance companies charged householders 12.5p for every £100 of the property's value when insuring their houses. This rate—then 2s 6d in pre-decimal currency—was set in the early 1920s.

Now the companies are poised to make a third rate increase in six years, only 12 months after their previous one. Householders face having to pay 18p per £100 as premium in the new year. This value rises each year in line with the cost of rebuilding houses.

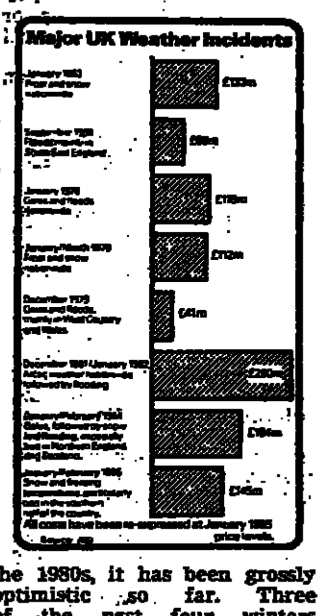
It represents a jump of 12.5 per cent from the current rate of 16p per £100, which was itself lifted from 15p at the start of this year.

What has caused underwriters to make such strong increases in their rates during the past six years after a half-century of calm? A 12.5p rate, as recently as the mid-1970s, produced underwriting profits for the insurance companies. Now the companies are incurring heavy underwriting losses on a 16p rate, with the sums insured fully indexed against inflation.

This rapid decline has arisen from two distinct sources—natural disasters and, with hindsight, human errors by the underwriters.

Insurance companies insure houses against natural disasters. Underwriters, who are not meteorologists, operated during the 50 years of stability on the premise that the UK enjoyed a temperate climate with mild wet winters and slightly less wet summers. On both these premises, the underwriters of late have seriously misjudged the fickle British weather.

The underwriters worked on the premise that the UK suffered one severe winter every four or five years. The Association of British Insurers—the trade association of UK insurance companies—has been keeping statistics of severe weather claims during the past three decades. The table shows what has happened to the British weather in winter and how it has hit insurance companies.



The underwriters' assumption of one poor winter in every four or five was pessimistic in the 1960s and 1970s. But, for the 1980s, it has been grossly optimistic so far. Three of the past four winters have hit insurance companies hard. Claims managers are keeping their fingers crossed for the winter now starting. Snow in south-east England was not a favourable omen last week.

The adverse winters alone would have been sufficient to justify a rate increase. But the underwriters have misjudged the summers as well.

In the early 1970s, insurance companies, following pressure from the building societies, included subsidence cover in house buildings insurance at no extra cost. Then came the long dry summer of 1976, which resulted in widespread subsidence, particularly from those houses on London clay, and cost the companies more than £100m (at 1976 prices).

Subsidence claim payments in every year since 1976 have continued at high levels—partly as an aftermath of 1976, partly the result of other prolonged dry spells during subsequent summers and autumns, and partly because householders have become much more claim-conscious about subsidence.

This led to the human error element in house buildings insurance.

Underwriters have compounded the subsidence mistake with a reluctance to correct matters by increasing rates.

Intense competition between companies for personal insurance business, seen clearly in motor insurance, has also been felt in house buildings.

Most houses are insured through building societies block insurance policies. The societies have considerable influence on insurance companies. So companies have been reluctant to increase rates, hoping that winter weather would improve and that subsidence claims were declining.

Underwriting losses on property accounts have reached such proportions that the insurance companies are adopting a tough negotiating stance to have the societies accept the new 18p rate and reduce commissions on the block contracts. The companies hope to complete negotiations so that the new rates take effect by April next year.

The societies are reacting strongly against this pressure. They accept that the companies are losing money, but feel that other remedies than a blanket rate increase should be considered, such as stricter monitoring of claims. They feel especially that the question of subsidence cover needs to be thoroughly investigated.

The societies are protesting that the leading insurance companies are acting as a cartel in these negotiations and that competition is not allowed to work. The societies welcome, and the companies fear, the growing presence of Lloyd's of London in this market.

Certain Lloyd's syndicates have long offered personal household insurance in the UK. But, in the past couple of years they have been aggressively expanding their marketing, aiming for association with the building societies.

Burgoyne, Alford, the Lloyd's broking firm, has spearheaded the drive for building society business. It claims to have 80 societies which will include Lloyd's as an insurer for its block contracts, with a new society being added every week. By tradition, Lloyd's has paid higher commissions than the insurance companies, yet the rates have remained competitive.

TECHNOLOGY

EDITED BY ALAN CANE

Heavenly opportunity for earth-bound robots

Peter Marsh looks at how advances in automation may affect future space bases

ADVANCES IN electronics and automation developed for Earth-bound processes will have an impact in the orbiting space bases of the next decade, according to engineers at Westinghouse Electric, the US engineering concern.

Westinghouse staff are working on several techniques borrowed from terrestrial factory operations to support planning for the $12bn manned space station, due to be built by a US-led international consortium by the mid-1990s.

Eight companies are helping the US National Aeronautics and Space Administration to design the station (see panel). Full engineering development for the orbiting base should begin in early 1987, ready for it to be lifted into orbit by a series of space shuttle flights in 1991-1993.

Techniques along the lines of those under investigation at Westinghouse could be important in drawing up detailed specifications for the base. According to guidelines already worked out by Nasa, robots and other automated hardware will play a large part in operating the station, in developing which Japan, western Europe, and Canada are due to have a share.

The hardware will be given much of the mundane work aboard the heavenly outpost, leaving the crew of six to eight humans the more interesting jobs, for example, supervising scientific experiments in such areas as biology and materials processing.

Among other tasks, the automated hardware will be expected to look after such maintenance as replacing defective electronic parts and the operating equipment to provide the manned parts of the base with electricity and air.

Workers at Westinghouse are involved in several areas of research aimed at automating the space station. Dr Lelland Weaver, managing director of the company's advanced production technology division outlined the work at a recent Financial Times conference on space commercialisation.

Teleoperators: Westinghouse plans to adapt its teleoperator machines now working in nuclear plants to meet the requirements of a space station. Human workers are unenthusiastic about wandering around the innards of an atomic power station. In the same way, astronauts on the space station will attempt to reduce the sallies they make outside their pressurised habitats to do such jobs as repair work in the inhospitable environment of space.

The US engineering company thinks that the remotely operated service arm, Rosa, which is already working in power stations could be useful on the space base. This is strictly a teleoperator, not a robot. It cannot operate independently. A person must remain in charge of the machine, providing instructions via a telecommunications line from a control room.

The machine has six axes of motion and can pick up and handle objects with different probes and grippers. On a space station, Rosa could reach out from a central position to free a jammed antenna or to repair a solar panel that provides electricity.

Robots: Engineers at Westinghouse are working on machines that operate largely in an autonomous fashion and do a variety of handling jobs. They would obtain images of their surroundings with TV cameras and, with sophisticated computers, convert these to messages to "end effectors" and grippers—in the same way as the human brain co-ordinates a person's arms and legs.

Westinghouse is also investigating the principle of "telerobotics," the control of robots by brain waves. Under this, a controller would pass on instructions to a mechanical arm or other artefact using electrical signals from his brain.

This would enable the person to command the machine to do a job simply by starting a particular thought process.

Automatic diagnosis: Expert systems, or computers which, with sets of rules drawn from people's experience can obtain human-like insights into problems, could play a large part on the space station. For instance, they could be incorporated into supervisory hardware that controls the pressure and purity of the air pumped into astronauts' living quarters, to warn of any technical malfunction.

At the Westinghouse Power Generation Demonstration Center in Orlando, Florida, the company monitors with computers the operation of turbine generators at power stations. The electronic systems collect data from sensors, analyse it and provide warnings if mechanical elements are about to fail.

The Orlando equipment was developed by Westinghouse in conjunction with computer researchers at Carnegie-Mellon University in Pittsburgh. It could be adapted easily to diagnose faults and spot potential problems in equipment aboard a space station, according to Dr Weaver. The expert system itself could be based either in space or on the ground.

Signal processing. The task of sorting out from a mass of data information of use in a specific application will be highly important in operating the orbiting manned outpost of the 1990s. For instance, signal processing techniques could be useful in safety-monitoring hardware built into the station to minimise the risk of accidents.

Voice recognition. An astronaut working on an intricate repair job on a space structure will probably wish he had several hands. Anything that takes away the need for a manual operation will be welcome. Thus computer systems that are activated by voice control, rather than by a keyboard or joystick, could be useful.

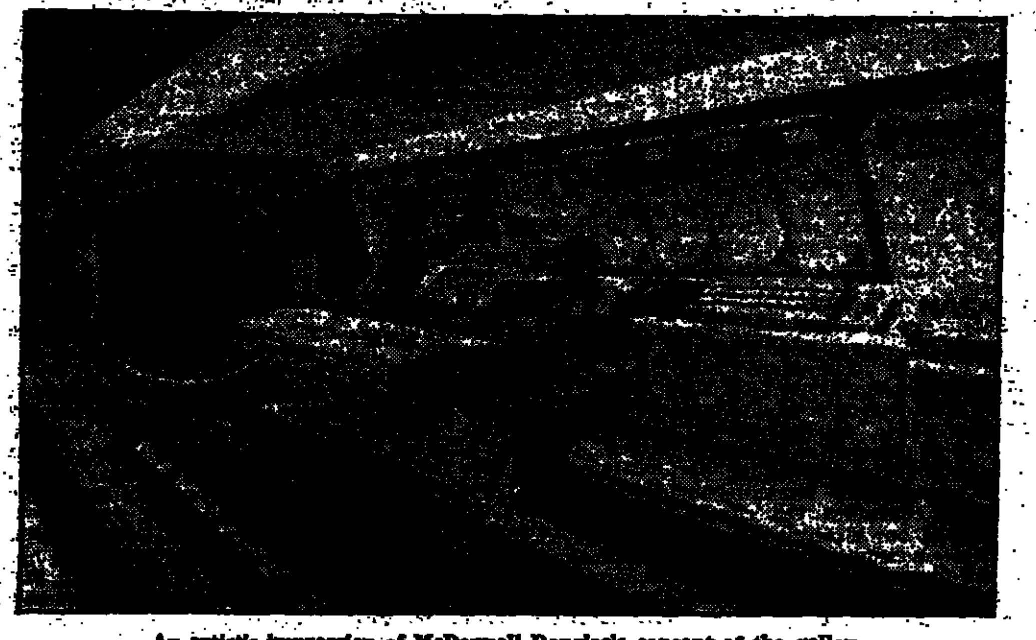
Researchers at the Westinghouse Defense Center in Baltimore have produced voice-recognition hardware with which people can program computers by talking to them.

Trouble-shooting systems. Engineers called on to do emergency repairs on Earth, whether in a factory, garage or remote installation such as an underground sewer, often take with them manuals to help them do the job.

Westinghouse suggests more up-to-date technology will be appropriate in space. The company is working on suitcase-sized computers that contain expert systems in specific types of engineering.

Telecommunications. The space station will contain a myriad of electronic systems which have to be linked by a telecommunications network using common software standards.

A mock up of a "quiet" module in the planned space station where astronauts can sleep and monitor the base



An artist's impression of McDonnell Douglas's concept of the galley

Where Nasa plans to spend its money

NASA plans to award contracts to US companies to begin engineering development for the space station in early 1987.

So far, it has handed out contracts worth about $120m to eight teams of contractors responsible for designing different elements of the orbiting base. Nasa has worked out a "reference design" for the station which is supposed to provide general guidelines for the companies.

Under Nasa's plan, the US is responsible for the main core of the station and elements such as power supply and providing life support systems. Nasa plans to spend $8bn on this work. That leaves western Europe, Canada and Japan to provide other elements such as individual laboratories that can be fitted into the basic framework.

The Nasa reference design contains three scientific laboratories at the centre of a framework which also contains living quarters for astronauts, with solar cells, life support equipment and so-called resource modules which contain supplies such as food.

The station contains two parallel supports, in what is called a "dual keel" framework, and marks a change from Nasa's initial design for the station, worked out a year ago, which featured just one beam to which all the other elements for the station were connected.

Under the initial design, laboratories attached to different parts of the single beam would have experienced small gravitational forces caused by the motion of the station around the Earth at is altitude of about 200 miles.

In the new configuration, the laboratories, being at the centre of the station, will experience only tiny gravitational forces. That should increase the suitability of the structures to house experiments in certain types of materials processing where weightlessness will be an advantage.

Under outline plans for the station, the US, western Europe and Japan will each provide one laboratory. They will be split up to do several different tasks in both materials science and biology.

The eight companies working on the design are Boeing and Martin Marietta (environmental system, accommodation units, propulsion); McDonnell Douglas and Rockwell (overall architecture, docking units for space shuttles); General Electric and RCA (automated free-flying spacecraft associated with the station); Rockwell and TRW (electric power power generation).

Under Nasa's plan, the eight companies will be reduced to four (one to work on each of the above areas) at the end of next year. The four winning companies will then team up with probably dozens of subcontractors to work on contracts to develop systems for the station which will eventually be put into space.

Recently Nasa has prepared rough estimates of the cash needed to operate and maintain the station. It thinks that annual running costs for that part of the base to be built in the US will come to $1bn to $1.5bn.

AT&T Bell systems offer

CHIP DESIGN and manufacturing systems developed by AT&T Bell Laboratories for its own application-specific integrated circuits (Asics) are to be made available commercially throughout the world.

AT&T is already operating an Asic design centre in Munich and has just opened another in Sunnyvale, California. It plans others in the US and elsewhere.

Engineers will be offered the use of the design automation technology, which includes computer-aided design systems and software libraries developed by AT&T over 12 years.

Customers of the centres will be able to use the systems themselves or can contract AT&T staff to do the work for them. They will also have access to a full range of assembly and testing services.

More from the US on (201) 953 7557.

Fast transistor announced

GOULD INC has announced the first commercially available low noise, high electronic mobility transistor.

The device uses a "superlattice" structure of gallium arsenide and aluminium gallium arsenide which allows electrons to move about more freely and raises the operating frequency to 18,000 MHz. This is three times faster than conventional gallium arsenide devices and 10 times faster than ordinary silicon transistors.

Known as the H503, the device is designed to replace gallium arsenide field effect transistors in microwave components used in satellites, radar and electronic warfare systems. The price of the H503 is $125 in small quantities, the delivery time about five weeks.

More from the US on (312) 640 4113.

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THE MANAGEMENT PAGE

WHAT IS a chief executive to do when his company's revenues plummet to half the level of a year previously, losses mount to record levels and there is little sign of improvement in the short term? Most managers would surely take drastic action to reduce overheads.

In the beleaguered US semiconductor industry, that is exactly what most of the major companies have been doing (see Control Data, this page, November 20). Facing an industry-wide depression, they have laid off thousands of workers, closed down production plants, slashed capital spending plans, trimmed research and development budgets and generally clamped down on spending.

Painful as such actions may be, they have been forced upon many companies by "lousy business conditions," complains National Semiconductor president Charles E. Sporck, who has reduced his workforce by about 2,500 people this year to around 34,000.

Nobody likes laying off loyal workers, but sometimes it has to be done, Sporck maintains. "We have to bring overheads into line with revenues," he explains.

Not so, claims W. J. "Jerry" Sanders III, chairman and chief executive of Advanced Micro Devices (AMD). His strongly held philosophy is that if people are put first, products and profits will follow. Despite the current industry recession, AMD is staunchly maintaining a "no-lay-offs" policy.

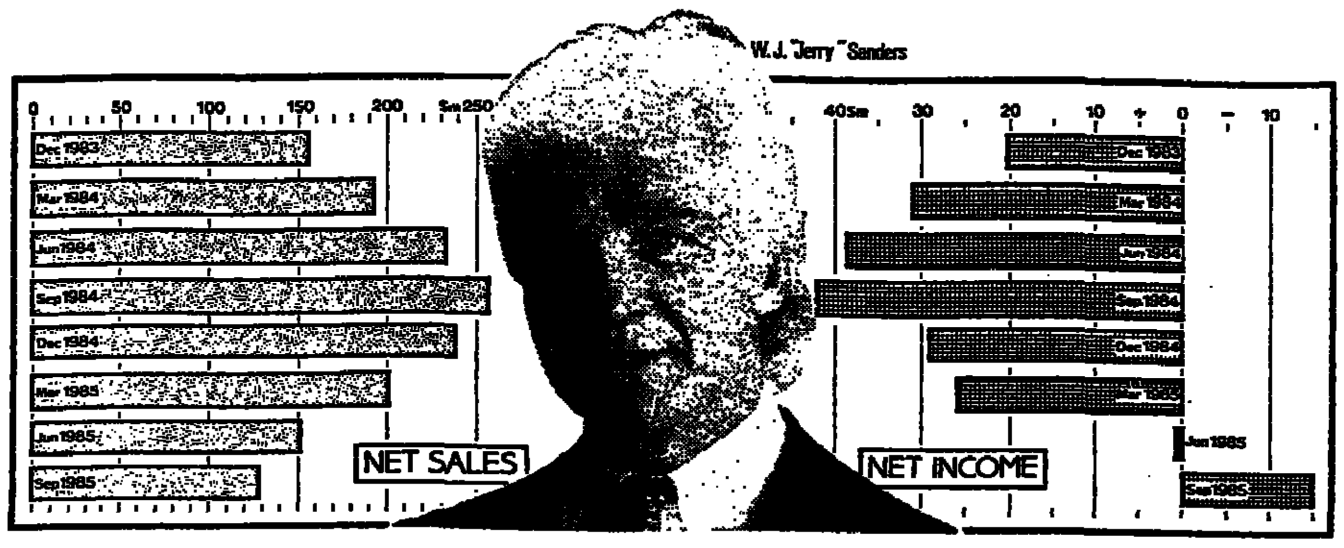
"AMD was founded on the concept that there was room in the workplace for a company that respected its employees and realised that job security was an inherent need of people and an inherent responsibility of a corporation," Sanders asserts.

Since AMD was founded in 1969 by Sanders and a group of former Fairchild engineers, his approach has worked well, driving AMD to become the fastest growing company in the US semiconductor industry, and winning the company a reputation as one of the top ten best companies to work for in America.

In good times AMD shares its success generously with its employees. Last year everyone was awarded one extra week's pay when the company reached its ambitious sales goal for the first half year. But there have been no bonuses since.

"Many companies have cut their losses during this long slump by laying off people. I believe that is a strategy of sacrificing the future to ease the pain today. We're keeping our team together, because we believe in the future," says Sanders.

But the pain is getting hard to bear at AMD. The company



AMD keeps its team together

Louise Kehoe on the US semidonductor company's determined efforts to combat recession

had operating losses of \$30.6m (£21.8m) during the quarter to September and saw its revenues halved to \$128m (£91.4m) in a year. The current quarter will be no better, Sanders admits. Analysts expect AMD to lose \$33m on operations during the fourth quarter with sales remaining flat at their current depressed level.

Although AMD has not laid off a single worker, neither is it hiring. Attrition has reduced the workforce by about 1,400 from its 1984 peak of around 15,000. The company has also mounted a cost-cutting campaign that it calls "staunch"—"stress those actions needed to check haemorrhaging." Gone is the glitzy employee Christmas party upon which AMD is reputed to have spent a million dollars last year. Gone is the lavish annual sales conference in Hawaii. It has also, as it announced last week, "put on hold" a I£108m (\$213m) wafer fabrication plant in Dublin, Republic of Ireland, originally intended to serve the European market.

Among the less popular cost-cutting measures is a 10 per cent pay cut for all salaried employees and a 15 per cent cut in executive pay. Manufacturing workers have been placed on a four-day week, effectively reducing their pay by 10 per cent too. Some at AMD are beginning to feel that it would be better to let some workers go, insiders admit. "But of course they never think they will be the ones to lose their jobs."

Although AMD refuses to budge on its no-layoffs policy, management is making significant changes in its organisational, marketing and sales policies.

AMD's previously successful ability to select the most profitable and high growth sectors of the semiconductor market and avoid such "dogs" as 64K dynamic rams, where prices plummeted, has suddenly gone very wrong. More than half of the company's losses in the past quarter were attributable to one product line: erasable programmable read only memories (Eproms)—chips used to store programs in computer equipment.

AMD blames Japanese dumping for a dramatic Eprom price decline—from \$17 to \$3 this year—and has joined forces with National Semiconductor and Intel to file a dumping suit against Japanese producers.

"We are shipping dollars with every Eprom we sell," complains Gene Connor, vice-president in charge of AMD's special logic group. Prices now are below the cost of materials, he complains. Still, "we are very committed to Eproms," Connor maintains. AMD plans to leapfrog Japanese competitors which currently offer 128K and 256K parts with a one megabut Eprom which is already being offered in sample quantities. "We will apply our resources to the higher densities, where there are profits to be made," says Connor. Informally, AMD is de-emphasising the lower-density, loss-making parts, but Eprom losses will still account for more than half of the company's spilled blood in the current quarter, Connor acknowledges.

AMD's poor performance this year is also a reflection of its high participation in the personal computer boom. "We have just come off an extremely high growth year driven by the PC boom. When PCs went flat we suffered more than most."

Has AMD lost its knack of backing the right horses in the semiconductor market race? "We focused heavily on the data-processing area, others had a broader mix," Connor acknowledges. Now AMD has a major programme under way to offer telecommunications chips and is reconsidering its previous disdain for the consumer market—particularly the growing automotive applications of semiconductor chips.

In September, AMD reorganised its operating groups according to chip functions — memories, logic and special logic — instead of the process technology used to make the chips. "It will give us a better market focus," says Connor. "We want to be moulded to the market place."

AMD is more optimistic than most about the business outlook. The company predicts a "material revenue increase" in the first calendar quarter of 1986 and an industry growth rate of 10-20 per cent for the year.

"We're not so far underwater that we won't have the strength to climb out," says Connor. But the day of reckoning is not far off, he admits. AMD can maintain its current policies until September 1986, Sanders has told his employees. If business conditions do not improve by then AMD may be forced to take some drastic action. "The probability of that is not zero, but I don't expect it to happen," says Connor.

In the meantime, AMD is not just going to sit and wait for a business upturn. "We will create our own," Sanders declares. Second only to his commitment to employees is Sanders' steadfast belief in innovation as "the best option open to us."

In the last quarter, more than 50 per cent of new orders were for proprietary chips designed by AMD, rather than standard products offered by a multitude of suppliers, he points out. Increasing AMD's proprietary product portfolio is the only way the company can increase profits in current market conditions, he believes.

"To have superior products and to continue to produce superior products in the future you have to be committed to research and development," Sanders maintains.

Some might say that his commitment to R and D is now courageous, or even foolhardy, but AMD spent more than 35 per cent of its revenues on new product development in the last quarter and has no intention of cutting its \$180m R and D budget.

Recently, Sanders launched a programme to accelerate new product development while also boosting the morale of his war-weary troops. Fashioned after the "liberty ship" shipbuilding programme of the Second World War, Sanders' "liberty chip" programme calls for company engineers to introduce one new chip product every week for the next 52.

No ordinary promotion scheme, the Liberty Chip campaign makes heroes of the company's chip designers. Each week the people responsible for the Liberty Chip product are given celebrity status—their pictures are displayed on company walls and on baseball-style cards with the title "this week's all stars." Mirrors, well positioned upon the walls of AMD's facilities carry the slogan "the face that launched a thousand chips."

"We have been down and out for a year," explains Anthony Holbrook, chief operating officer. "This is a programme whereby people can regain a sense of pride in their accomplishments; a chance to say 'we've turned it around'."

AMD is asking its employees to rally to the cause, to work harder, smarter and longer to make the programme succeed. Company engineers—who typically put in a 50-hour week—are working even longer hours to meet the programme's demands. So far, at least, they are not complaining. "Nobody wants to let Jerry [Sanders] down," explains one project manager.

The Liberty Chip campaign will also make a major contribution to the bottom line, AMD hopes. Sales of Liberty Chips could reach more than \$100m in fiscal 1987, AMD predicts, growing to \$400m the following year.

While doubters might suggest that AMD's spending on salaries and on research and development might bleed the company to death, Sanders is not deterred.

"We will do everything possible, make every sacrifice, eliminate every non-essential expenditure to reduce our losses," Sanders says. "But we will not deviate from our no-lay-off policy, nor will we cut back on research and development or essential capital expansion. These commitments jointly constitute the cornerstone of our strategy for winning — a strategy that is based, not upon retrenchment, but upon growth through innovation."

Training

ICI's offer of a choice of pace

By DAVID THOMAS

IN A HUT in a corner of ICI's organics works at Huddersfield, Paul Walker, a process operator for the giant UK chemical company, is keying his name into a computer.

He has taken half-an-hour out of his shift to complete a training course on refrigeration. Walker prefers this way of learning to the old training sessions.

"The trouble was they'd cram that much into you, you'd forgotten it by the next day. This way" — Walker points at the computer — "I can go at my own pace."

Paul Walker is trying out a new training system that has been introduced experimentally into 10 ICI sites. If it is successful, enthusiasts think, it could in time revolutionise the way managers train their workers.

The idea is to scatter computers at convenient points around the works. Some of the training packages used on them are common to all ICI's operations, others are specific to each works. Examples range from plant housekeeping to nitric acid manufacture.

The software is powerful. The people writing each training program can draw on 256 colours, for instance, to make the graphics attention grabbing. They are designed to encourage each trainee to interact with the machine.

What the system means for the management of training, particularly in the light of effects of the recession, is explained by Paul Chapman, project co-ordinator.

"We've reduced our numbers and we're asking a smaller number of people to do a wider range of jobs. So training becomes important. Yet because we've slimmed down, it's more of a problem to release people as a group for training."

Individualised, computer-based training provides the answer while also enlivening the often dull ways in which routine training on matters like safety is handled.

Eric Brighton, a maintenance supervisor at Huddersfield, can now tailor the training of his fitters to the peaks and troughs of his workload: "One guy couldn't go on the computer at all last week, because of the pressure of work. This week, he's gone on it twice."

Paul Chapman reflects on what this means for the management of training. "In theory, training has always been a line management responsibility. In practice, line managers have identified training needs and handed them over to the training department.

"With this system," Chapman adds, "managers and supervisors have to think more actively about training. The supervisor controls a man's work, his time and his tools; now he can control his training too."

The system also allows more checks on each individual's progress. "The computer record shows immediately that Joe Bloggs hasn't had any training for six months," Chapman says. "Every module has a question-and-answer routine, so we can also check on a worker's level of understanding."

Experimental

It would be an exaggeration to claim that old-style, classroom training is about to be supplanted by computers. Charlie Porter, a trainer at Huddersfield, says: "Some things can be ideal for this, like checking someone's progress towards a safety certificate. But at other times, it's still easier to call a group together, like if you want to talk through quickly why an accident has happened."

Yet ICI has enough faith in the experimental project at the 10 sites to be topping an £850,000 grant from the Manpower Services Commission up to the £3m mark.

ICI has just started marketing some audio-visual and written material connected with the project, as well as some simplified software packages for white collar workers like design staff.

The full-blown training system for manual workers will not be completely evaluated until next summer. After that, blackboard and chalk could be on the way out.

THE ARTS

Architecture

Colin Amery

The other Washington exhibition

Robert Adam's elaborate scheme to expand Barnbougle Castle in West Lothian—to be seen now in Washington DC

Visitors to the exhibition in Washington's National Gallery should not be blinded by the glory of the treasures shown there. The context of the splendid objects is only hinted at in the evocations of the interiors of British country houses; there is little more than a suggestion of the architecture of country houses. So it is doubly important for visitors to travel the short distance from the National Gallery to the Octagon Museum of the American Institute of Architects where there is a first rate display of material from this country in an exhibition entitled *The Architect and the British Country House 1620-1920*.

It is a good setting for a complementary exhibition. The Octagon itself is an elegant survival in Washington—a fine house on New York Avenue NW that was completed in 1801. It has a series of restored period rooms that are furnished with that Federal spareness that is so purely American. Some of the furniture has an eccentricity that is seen only in colonial versions of European originals—there is a particularly fine pair of swan neck looking glasses.

It is the oldest museum in America devoted to architecture and it is run by the American Institute of Architects Foundation. This is exactly the kind of non-profitmaking, charitable, educational foundation that should be established to run the exhibitions and Drawings Collection of the Royal Institute of British Architects and be planning for the expansion of the collection into the Adam house that is soon to be vacated by the Courtauld Institute, which conveniently adjoins the present premises of the Drawings Collection in Portman Square.

The AIA Foundation sponsors lectures, scholarly research, publications and travelling exhibitions; if there was an ounce of imagination in the RIBA a similar wide-ranging foundation to help create an architectural culture in this country would already exist.

The current exhibition in Washington has been put together by Mr John Harris and it is a *tour de force*. It manages to encapsulate the complex history of this building type in fewer than 100 drawings. Inigo Jones sets it all going in 1620 and Gordon Selfridge's castle that was never built (designed by Philip Tilden) ends the story in 1920.

Like its sister exhibition in Washington DC this one emphasises quality. Drawings from the rich RIBA collection and some private collections, such as Chatsworth, Holkham and Elvetham, demonstrate the significant changes in design. Wren's drawings for Hampton Court, Inigo Jones's for Wimbledon Palace and Somerset House, and Vanbrugh's rarely seen designs for Castle Howard describe the country house progress.

It was a brilliant stroke to accompany each elevational or perspective drawing with an interior design of the period. Thus there is an opportunity to see the signed Inigo Jones elevation of the chimney piece for Oatlands Palace. This is one of his finest and most fluid drawings and shows the early enrichment of Jones's interiors that was to lead to his court style. The later, more disciplined richness of John Webb is shown in a lovely drawing for an unidentified room (lent by the Victoria and Albert Museum).

To see the emergence of the English Baroque House in this exhibition is to look at a particularly English artistic triumph. Vanbrugh's preliminary view of Castle Howard is drawn by Hawksmoor, which makes it a doubly interesting drawing. It was Vanbrugh who took the decision to spread the house across the ridge and then to dramatise the different blocks of the house by creating a great forecourt. This architectural sense of movement heralds the arrival of the English Baroque. Hawksmoor's own design for Wotton House in Surrey, which was never built, shows he was a restraining influence on the Baroque in some ways, letting the architectural planes do the dramatising.

Mainstream classicism—houses like Stourhead, Houghton, Mereworth and Chiswick—are all clearly and beautifully shown. The Palladians are fortunate that their drawings, particularly the ones at Chatsworth, have been so well preserved. I suppose that Holkham Hall is th eapotheosis of the Burlington/Chiswick style and William Kent's design for the exterior and the interior of the Great Hall are shown here for the first time. Kent's Honingham Hall in Norfolk shows a delightfully untutored understanding of the Gothick—additionally and perceptively illustrated by a photograph of the Saloon at Rousham.

Chambers, Adam and Wyatt ease us into the Neo-Classical severities of the William Wilkins, Joseph Bonomi and Henry Holland and there is the ultimate splendour of the James Wyatt drawing of the enlarged spire design for Fonthill built to rival Salisbury Cathedral. It is a triumph to have borrowed for this exhibition the Thomas Hope designs, not for a country house but for his London house: crucially important drawings for architecture in the country and the town.

The 19th century is well served; Blore and Salvin and Pugin seem positively benign alongside the excitements of Burgess and Teulon. There is a marvellously subtle watercolour by Lutyens of Ashby St Ledgers in Northampton that was not shown in the recent exhibition of his work.

This is an intelligent exhibition that has been selected with enormous discrimination. It tells, without any trumpets, that the architects of these houses were the men who created the new art form. Without the houses the other exhibition would never have existed. The catalogue, written perceptively by John Harris, is available in England as a book (*The Design of the English Country House, 1620-1920, Trefoil Books, £19.95*). The show is in Washington until April 1986. It will then tour to New York, Atlanta, and Houston. Shamefully there are no plans to show it in its home country.

Simonov's Berlioz/Barbican Hall

Max Loppert

Yury Simonov has returned to conduct the London Symphony Orchestra in two Barbican Hall concerts. Though in the last few years his gifts have already received substantial demonstration in London (at Covent Garden and with this orchestra), the Russian conductor has evidently not yet "caught on": the hall was not full last Thursday.

This seems an unjust situation, but one that will probably be corrected by natural forces in the future; for, on the evidence of Thursday's all-Berlioz programme, it seems to me now unarguable that Simonov is one of the most remarkable conductors before the public today—and word of him must eventually get about more than it has so far. He is a virtuoso—the stock technique is a pleasure to watch, and its flourishes always have technical point as well as eye-appeal. But its purpose is to encourage music-making that goes far beyond flashy self-advertisement, or the coarse, hard-driven sound production that is the modern interpretation of virtuoso—the stick technique is is indeed an intensely musical one, and Berlioz responds brilliantly to its characteristics.

There are many reasons why a fine Russian conductor should prove to be a fine Berliozian (including, of course, the long tradition of Berlioz enthusiasm and appreciation in that land started by the sojourn there of the composer himself). The performance of the Fantastic Symphony that occupied the second half was both authentically Russian, in its broad, unhurried gait and phrasing richly impassioned and supple; and at the same time authentically Berliozian in its resources of nervous intensity and dramatic sentience.

I had never before heard such a performance, and found it extraordinarily thrilling. It was not especially well played all the way through — the LSO, though increasingly drawn under Simonov's spell, and increasingly responsive to the fine-etched sonority combinations and paragraph control demanded of them, started the evening erratically, as is their habit nowadays, and only gradually returned to the Berlioz form for which they were once reputed (the opening *King Lear* Overture went through some sadly murky patches, though its beautifully vivid and flexible conception shone through even the murkiest of them).

The soloist in *Nuits d'été* was Ann Murray. She sang from a score, and gave an intermittent impression of nervous hesitancy; even so, it was very nearly a very fine performance indeed, rich in colour, long-breathed, and particularly ready to acknowledge the haunted loneliness of the central songs. Two related qualities Miss Murray lacks, the mastery of which will fill in what was missing on Thursday: a smoother legato, and a more consistent forwardness with the words. (*Her choice of keys was odd* — high soprano in "Spectre" and "Absence," the most difficult, and unexpected downward transpositions elsewhere). The accompaniments were exquisite: this was the LSO's happiest showing.

Ourselves Alone/Theatre Upstairs

Martin Hoyle

The first co-production between the Royal Court and the Liverpool Playhouse brings a slice of Belfast life (in the midst of which, as the proverb all too truly observes, is death) to the Theatre Upstairs. The first stage work by Anne Devlin is sinewy, urgent and alive. Offering no great hope, it is nevertheless more humane than the brutal *Murderers*, also dealing with the troubled Province, recently turning stomachs at the Cottesloe.

The subtle gradations of nationalism are illustrated by the depressing mythologies of hate. The political activist who eschews violence is viciously beaten up by the IRA. An old-style fighter's daughter taunts her father with the reminder of heroic hunger-striker Bobby Sands's reputation as a wife-beater—his wife only visited the jail when sure he was dead. The banging on the door can herald a raid by the Brits or the equally frightening Catholic paterfamilias (cigarettes and wine are hastily shoved out of sight).

If the men are fatally trapped in their past, the women try to break free. Punky Frieda sings her republican songs in clubs but when she decides to leave her destination is England, not the south: "I'm not that sort of Irish." Donna turns to other men, estranged from her husband after his release from Long Kesh. But graduate Josie, articulate and analytical, commits herself too deeply. A courier for the movement, she loves first one, then another of her fellow-terrorists. Abandoned, pregnant, by a British agent, she returns numbed to the stifling protection of her father's house.

Miss Devlin refrains from preaching while mercilessly delineating, for instance, the good Catholic IRA-man who expects Josie's devotion on tap while refusing to leave his fecund wife (10 children at the last count). She writes hard, thrusting duets, notably the interrogation when Josie accepts the Ampleforth and Cambridge Anglo-Irishman into their ranks. Layers of bluff and commitment, emotional and political, are peeled away to the accompaniment of her growing attraction to the man who may be a traitor.

The play underlines the ambiguity of those who weep at Bobby Sand's funeral while cursing the IRA bombers of a crowded store, who "judge ideas by the people who utter them." Miss Devlin's means are domestic; there is no overt politicising, no condemnation. We are allowed to judge for ourselves.

Simon Curtis's production evokes fine playing from Lise-Ann McLaughlin as the likable Donna cracking under purely domestic pressures, Hilary Reynolds as the rebellious Frieda and, especially, Brid Brennan as Josie, the most mature of all and the most wounded. In her mid-thirties, Miss Devlin has bided her time in writing for the theatre, and the ripeness shows.

Dance in New York/Pina Bausch

David Vaughan

The annual "Next Wave" Festival at the Brooklyn Academy of Music — 10 weeks of avant-garde dance, theatre, and music — puts the New York commercial theatre to shame, even if some of the artists presented might more accurately be said to exemplify the wave before last while others seem to aspire to be fashionable rather than truly innovative — to be with it, so to speak, rather than ahead of it. But the festival is undeniably a success, both in the sense that it has become (even if you don't stay for the whole of any particular event), and sometimes even in terms of artistic achievement.

In dance, the main focus of this year's festival has been on "dance theatre" as represented by the German choreographer Pina Bausch and her disciples. Although classical ballet managed to get a toe-hold, as it were, in German opera houses after the Second World War, and has of course become firmly established in such cities as Stuttgart and Hamburg, there is no strong ballet tradition in Germany. The indigenous form was *ausdruckstanz*, or expressive dance, whose leading exponents in the pre-Nazi Weimar Republic were Mary Wigman, Rudolf von Laban and Kurt Jooss. (There was another, more formalistic dance manifestation in the Bauhaus p erformances staged in the 1920s by Oskar Schlemmer. A 1977 reconstruction of his *Triadische Ballett* by the contemporary choreographer Gerhard Bohner, presented at the Joyce Theatre in October, was not very persuasive—the costumes were beautifully reproduced, but the choreography was academic and the music quite wrong.)

The work of Pina Bausch and her followers represents a return to expressionism; Bausch herself studied first with Jooss and then with Antony Tudor and with modern dance teachers in New York. The content of her pieces, however, has to do with today's sexual politics rather than the "social significance" of between the wars. The American dance scholar Susan Allene Manning writes of the "feminist subtext" of Bausch's work, but this is an understatement — her entire subject-matter could be summed up in the title of the old British farce, *Aren't Men Beasts?* If one becomes resistant to her message, however, that may not be so much a sign of sexual chauvinism as of the diminishing effectiveness of her formal means as they degenerate into mere formulae.

To begin with, the inordinate length of her pieces is self-defeating. With Bausch, repetition seems to be some kind of moral imperative; her notion (stated in an interview with the New York Times) that repeated sequences demand a reaction from the spectator is only theoretically, not theatrically valid; the response is most likely to be irritation or boredom.

Ideas are carried over from one work to another with barely any significant change. The accompaniment consists of a selection of retro popular songs and "These You Have Loved" classics. The women wear 1950s cocktail dresses and the men dark suits, though both are likely to strip down to their underwear, and the men get into drag as often as a cast of Monty Python. The stage floor is often covered with some substance—earth, water, turf—that both impedes and defiles the dancers. The action itself includes children's games, joyless sexual couplings, and some simple dance steps. At some point, the dances will get into single file and march around doing a sequence of gestures. They will flirt with the audience, and inflict indignities, and worse, upon each other.

Of the works presented at Brooklyn, *Kontakthof* (1978), *Arien* (1979), and *Gebirge* (1984), all follow the formula. Not unnaturally, it is less stale in the earliest piece, worn out in the latest. The last of Bausch's four programmes was a double bill of *The Seven Deadly Sins* and *Don't Be Afraid*, to excerpts from other works by Bertolt Brecht and Kurt Weill. Both date from 1976, and have the advantage of being performed to some of the most original theatre music of the 20th century. Bausch, predictably, views all the cardinal sins as variations on the basic one of sexual abuse of women by men, and blunts the subtle ironies of Brecht.

To some degree the relentlessness of Bausch's assault on the sensibilities of the audience is redeemed by the sheer talent of the members of her Tanztheater Wuppertal. It certainly helps that people like Meryl Tankard and Josephine Ann Endicott (who both happen to be Australian) are brilliant comedians. Endicott's performance as the dancing Anna of *The Seven Deadly Sins* seems to leave her physically and emotionally drained, yet she snaps back in the second half of the evening to appear, for instance, in a duet with Dominique Duszynski that is positively charming, a quality otherwise absent from Bausch's work. Mechtild Grossmann and Silvia Kesselheim, among others, prove to be wonderful singers.

Often, however, one feels that Bausch is content to exploit rather than explore the personalities of her company members. Yet Grossmann, in her own one-woman show, *Wo Meine Sonne Scheint*, did little more than recycle some of Bausch's themes. If one feels, ultimately, that the performers themselves are often degraded by Bausch's treatment of them, one is forced to admit this is done with their apparently enthusiastic co-operation.

Louis Lortie/Wigmore Hall

David Murray

Still only 26, Mr Lortie — recently the fourth prizewinner in the Leeds Piano Competition — is a model of good sense and solid technique. He has quiet hands, as they say, but very clean, strong fingers: without visible fuss, his articulation in all the most brilliant op. 10 Studies of Chopin was faultless. The finer points of style and grace need more time to develop, but nobody would call his Wigmore Hall recital on Thursday immature; interpretatively, it was just a bit plain.

His most dashing and sympathetic playing was inspired by Ravel's transcription of *La Valse*. A challenge as it stands, the piece offers further risky temptations in the form of extra orchestral bits printed on a third stave, daring the performer to include them somehow. Lortie included them with negligent ease, and captured the queasy allure of the score as well as its bold range of colours.

Many of the Chopin *études* got performances as spectacular, but some constraints on Lortie's expressive range became audible. In quick music, especially the salon-style studies, his rhythm was often inflexibly stiff (predictable ritardandi at paragraph-ends didn't compensate), at some cost to young Chopin's knowing charm. The tunes were picked out rather insistently, with good intentions but little light or shade; he did the same with two of the late Nocturnes, op. 55, and the effect was very flat.

On the other hand, every study that is more pianistic than melodious gleamed brightly. Neither the opening C major study nor the C-sharp minor one, for example, is often delivered with such unhesitating sweep and precision; such playing is a tonic to hear. And smaller studies that are far trickier than they sound to non-pianists, like the A minor and the other C major, bubbled smoothly and elegantly, betokening sterling technical assurance. At the outset his Beethoven sonata, op. 10 no. 3, had been comparably lively and cultivated, though it was not a searching reading. Lortie promises very well indeed.

Two world premieres at the Festival Hall

World premieres of new works by York Höller and David Matthews will be given in two BBC Symphony Orchestra Music of Eight Decades concerts at the Royal Festival Hall on December 3 and 11.

Giulini/Festival Hall

Richard Fairman

About seven years ago Giulini gave an all-Beethoven programme with LPO in the Festival Hall. He chose the *Egmont* Overture to open that concert and did so again on Thursday night to launch the first of a pair of Beethoven evenings with the Philharmonia Orchestra, now his favoured London partners.

Time has not stood still: the main section of the Overture was not tempestuous before, but now it is positively anodyne, a display of beautiful, elegiac phrases with barely enough tension to set the musical argument in motion. The violins' rhetorical flourish before the coda also hung in the air like an apology. One might well have feared that the Giulini of recent years, respectful to a fault, was about to strike again.

But after the interval the Fifth Symphony found an unexpected and welcome vigour. Despite an untidy opening—and the orchestra fared no better with the famous four-note motif when it returned at the recapitulation—the first movement struck just the mood of restless, urgent concentration that *Egmont* had lacked. Something, at least, of the fire that this conductor used to bring to Verdi in the 1950s had been rekindled.

The rest of the Symphony followed to form. The slow movement still brings out the best of that Italianate lyricism for which Giulini is renowned (the string phrases before the end dripped with sentiment). And the finale went with an impressive, measured tread until a few minutes before the end, when momentum suddenly waned. Perhaps all these bombastic final chords of C major hold little interest for so cerebral an intepreter.

In the Violin Concerto earlier Salvatore Accardo had brought a very different lightness of touch. Accardo is a musician who always finds a corner where he can ease into a delightful freedom of movement, no matter how strict the basic pulse. Within Giulini's straight and sombre accompaniment he created a mercurial, witty pocket of spontaneity. The last movement, zestful, spirited, was the most captivating piece

Saleroom/Antony Thorncroft

The life of Braine

The most interesting lot to come under the hammer in the salerooms this week is undoubtedly the diaries and journals of the novelist John Braine, which appear at Bloomsbury Book Auctions on Thursday. Between 1952 and 1985 he made copious notes on the life and times of a contemporary writer, covering 130 volumes in the process. Much of it is introspective jottings, but there is a good deal of insight into his personal affairs.

A change of life style has forced Braine, now 63, to sell his memoirs. He needs the money to buy a house and to provide for his old age, and he expects to make between £25,000 and £35,000 from the sale. The most likely buyer is an American campus library, such as the University of Texas.

A painting by the Victorian master of the tastefully erotic, Sir Lawrence Alma-Tadema, which was bought in a Christmas bazaar at Wells Town Hall five years ago for £5, is expected to sell for at least £20,000 at Sotheby's 19th century picture sale on Tuesday evening. It shows "Joseph, Overseer of Pharaoh's Granaries," and once belonged to William H. Vanderbilt, the American millionaire. The auction contains two Sirens, soulfully twanging their lyres. One, painted by Poynter in 1864, carries a top estimate of £70,000; the other, by Waterhouse, painted in 1900, could make £120,000.

Another discovery on offer at Sotheby's this week is four major choral works by Handel which turned up in a Manchester toy cupboard. In 1878 they sold at Sotheby's unrecognised: now they have an estimate of £80,000-£100,000. They are part of the "Carmelite Music" which Handel composed in Rome at the age of 22. A fragment of a Mozart cadenza, another recent discovery, is on offer at £12,000-£15,000. It was written when Mozart was 15.

A silver tankard and flagon redolent of English history are on offer at Christie's silver sale on Wednesday. They were given to Sir Edmund Godfrey to commemorate his courage during the Great Plague of 1665-66. Both are engraved with scenes of the plague and the Fire of 1666.

Godfrey was one of 20 children who began life as a woodmonger, but who prospered in business and became a Justice of the Peace. It was to him that Titus Oates first swore his version of the "Popish Plot" in 1678. Just over a month later the body of Godfrey was found murdered on Primrose Hill, transfixed by his own sword. His death has remained a mystery.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 22–28

Music

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Krystian Zimmerman. Bach, Mozart, Beethoven, Chopin, Szymanowsky (Tue); The Concertgebouw Orchestra under Hans Vonk, with Jaap van Zweden, violin; Hatto Beijerinck, cello. Brahms (Double Concerto), Stravinsky (Wed, Thur). Recital Hall: Marieke Blankestijn, violin; Bernd Brackman, piano. Schubert, Brahms, Bartók (Tue); Kun Hu, violin; Kyoko Hashimoto, piano. Tartini, Prokofiev, Ysaye, Ravel (Wed); Johannes Leertouwer, violin; Derk Pik, piano. Beethoven, Enesco, Brahms (Thur). (718345).

Rotterdam, De Doelen. Vaclav Nowak, violin; Arie Keijzer, organ. Händel (Mon); Band of the Royal Netherlands Navy and the United States Marine Band conducted by Major J. J. Koops and Colonel John Bourgeois. Sweelinck, Strauss, Bernstein, Händel (Tue, Wed); Eduardo Mata conducting the Rotterdam Philharmonic, with Nelson Freire, piano. Schubert, Rachmaninov, Wirén, Stravinsky (Thur). Recital Hall: The Travelling Music Ensemble. Boccherini, Brahms, Schubert (Wed). (142911).

Utrecht, Muziekcentrum Vredenburg. Recital Hall: South American folk music (Tue); Blues festival (Wed); The Travelling Music Ensemble. Boccherini, Brahms, Schubert (Thur). (314544).

Maastricht, Schouwburg. The Travelling Music Ensemble. Boccherini, Brahms, Schubert (Tue). (213300).

Nijmegen, Vereeniging. The Concertgebouw Orchestra under Hans Vonk, with Jaap van Zweden, violin; Hatto Beijerinck, cello. Brahms (Double Concerto), Stravinsky, Escher (Mon); Netherlands Chamber Choir, conducted by William Christie. Purcell, Charpentier, Bruynel. (221100).

VIENNA

Robert Kochlmayer, piano. Schubert. Brahms Saal, Musikverein (Mon).

The New Chamber Orchestra of Stockholm, conducted by Franz Moest, with Ulf Wallin, violin. Rossini, Mozart, Beethoven, Bartók. Musikverein (Tue).

Phyllis Moss, piano. Beethoven, Schubert, Chopin. Brahms Saal, Musikverein (Wed).

LONDON

Royal Liverpool Philharmonic Orchestra, conducted by Nicholas Cleobury. New music. Barbican Hall (Mon). (6388891).

Peter Donohoe, piano. Tippett, Beethoven and Chopin. Queen Elizabeth Hall (Tue). (9283191).

Academy of St. Martin-in-the-Fields, directed by Iona Brown, with Bruno Leonardo Gelber, piano. Mozart. Queen Elizabeth Hall (Thur).

Philharmonia Orchestra, conducted by Giuseppe Sinopoli, with Malcolm Frager, piano. Schumann. Royal Festival Hall (Thur).

London Symphony Orchestra, conducted by Yuri Simonov, with Peter Katin, piano, Lyadov, Rachmaninov, Mussorgsky/Ravel. Barbican Hall (Thur).

Ronnie Scott's, Frith Street: Charlie Watts' Big Band directed by Alan Cohen (4390747).

ITALY

Milan: Teatro alla Scala: Violinist Salvatore Accardo. Bach. (809126).

Rome: Auditorium in via Della Conciliazione: Wolfgang Sawallisch conducting. Leon Bates, piano; soprano Julia Varady; baritone Kolos Kovats. Bartók's Bluebeard's Castle (Mon and Tue). (6541044).

Rome: Oratorio del Gonfalone: Vicolo della Scimia 1/B: Valentin Radu, professor of organ music at the Julliard School in New York, playing music by Bach (Thur). (655952).

Venice: Teatro la Fenice: LaSalle Quartet. Berg and Beethoven. (25191). (Mon).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Wynton Marsalis, and Philip Smith, trumpets: Mendelssohn, Vivaldi, Haydn, Dvořák (Tue); Leonard Bernstein conducting: All-Mahler programme (Wed). Lincoln Center (8742424).

Carnegie Hall: Henryk Szeryng violin recital with Dalton Baldwin, piano: Bach, Brahms, Julian Carrillo, Debussy, Ravel (Mon); Joseph Wytko saxophone recital: Bernard Heiden, Ryo Noda, Paule Maurice, M. William Karlins, David Diamond, Paul Creston (Tue). (2477459)

WASHINGTON

National Symphony (Concert Hall): Antal Dorati conducting: Haydn, Bartók, Brahms (Tue). Kennedy Center (7858110).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting: Hindemith, Brahms, R. Strauss (Wed). (4358122).

TOKYO

René Jacobs, counter-tenor, accompanied by Konrad Junghans, lute: Italian laments and love songs. Tokyo Central Church. (Tue). (2379990; 4702727).

Thomanerchor and Gewandhaus Orchestra of Leipzig, conducted by Hans-Joachim Rotzsch: Peter Schreier, tenor: Bach's St Matthew's Passion. Tokyo Bunka Kaikan (Wed). (4701073-4).

Japan Philharmonic Orchestra, (conductor: Naoto Ohtomo; piano, Shinobu Satoh): Mozart, Richard Strauss. Tokyo Bunka Kaikan (Thur). (2345911; 2379990).

Traditional Japanese Music: Song, shamisen (plucked lute), koto (zither), shakuhachi (bamboo flute) in recital of traditional Japanese chamber music. National Theatre Small Hall. Complete programme notes in English. (Wed). (2657411).

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Monday November 25 1985

Challenge of a colossus

THE LATEST report by the Group of Thirty confirms most people's image of the foreign exchange markets today. They are huge, with a global daily turnover of $150bn and this unimaginable trading volume has doubled over the past five years. They are driven by investment, dealing and speculative transactions which outweigh transactions deriving from trade in goods and services by a factor of four or five to one. They are becoming more volatile and—paradoxically when one considers the rise in overall volume—somewhat less able to absorb a large transaction without a change in price.

The best part of the report lies in the detail. London, with an estimated third of the market's total turnover, is shown so far to have preserved its predominance over New York. The market has been invaded by securities houses, international money funds, commodities firms and futures arbitrageurs—all with a new and high-rolling approach. Technical models are now having a profound influence on the attitude of these players to prevailing exchange rates. The big non-financial corporations—one important category of end-users of the market—concede that the market is becoming more dangerous but do not appear particularly fazed by this development.

Target

The report draws few general conclusions and they do not go far enough. The summary by Mr Thomas Johnson, president of Chemical Bank and chairman of the study group, tells of a "system that has expanded tremendously and works well." He concludes that the "aggregate volume of international trade and cross-border investment has not been impeded by the recent period of volatility and realignment of foreign exchange values" and that the "effect of longer-lasting exchange movements has been to change the structure, composition and direction of trade rather than its overall level."

The markets have, indeed, responded in lively fashion to a period when important governments, led by the US, gave them their head. But as 1985 has progressed it has become clearer that these changes in the "structure, composition and direction of trade" sometimes seem too artificial and too severe to be politically sustainable. Hence the progressive rehabilitation of the idea that Governments should influence exchange rates and even adopt exchange rate targets as points of reference for national economic policy.

A majority of the banks, securities houses, corporations and investment funds polled by the Group of Thirty feel that governments should do more to stabilise exchange rates. But it is clear that they would not have been satisfied with the subsequent decision by the Group of Five developed countries to intervene more actively in the markets. Each of these respective majorities says that such intervention has to be backed by co-ordination of national fiscal and monetary policies. So the report represents another small impulse back towards the system of economic policy co-ordination that was abandoned at the beginning of this decade.

There is now a mounting campaign to get something close to the "locomotive theory" back on the rails for the first time since it crashed ignominiously into the debris of the Iranian revolution and the second oil price shock in 1979. Today's design philosophy is different. In 1978 the non-inflationary strong were supposed to tow the inflationary weak through their period of painful adjustment. Today the focus is upon flows of funds: international savers like West Germany and Japan must spend more so that international spenders, like the US, will borrow less. But beneath the new bodywork, the running gear looks familiar.

Backlash

The study underlines the need for such an approach. It describes a market bred of increasing trade as a proportion of gross national products, of increasing freedom of capital movements, of increasing flows of information between countries and of technology that removes the friction from all of these and from the transactions they inspire. This market has already shown it can create and sustain currency valuations which, after a while, invite a backlash against the freedoms on which it is thriving. Is this backlash to be the next phase in the development of the world economy? Or will governments raise the degree of their policy co-ordination to match the interdependence that trade and the financial markets have already imposed upon them?

The real losers in Liverpool

IN THE Alice in Wonderland world of Liverpool politics the Mad Hatter's tea party appears to be nearly over, for this year at least. The City Council's Militant Tendency leaders, who have spent eight months rejecting "will you, won't you" offers of cash coupled with pleas for reason, have finally agreed to balance the books in a way which had been open to them from the very beginning. Mr Derek Hatton and his Militant colleagues deliberately engineered a financial crisis by illegally setting a rate for 1985-86 which was too low to cover the budget in an attempt to wring more cash out of the Government.

As always in Liverpool, it is still not absolutely certain that some contrived hitch will not scupper the solution before it gets to today's finance committee meeting and a later full council meeting for ratification. If it is passed the council will transfer £20m from its ambitious housing programme to the revenue account while also making £3m of unspecified cuts and accepting £3m of aid from other Labour-controlled councils.

There are some important winners from this affair. First the institution of local government has survived a critical test. A small and irresponsible clique has been brought to heel before a financial disaster ruined the long-standing credibility of local authorities in the domestic and international money markets. Second, the Government's strategy of refusing either to accede to the bullying demands of the council leaders or to intervene has been vindicated. Mr Kenneth Baker, Environment Secretary, stood firm in the correct belief that the solution to the crisis lay in the hands of the elected councillors who created it.

Deception

An important loser is Mr Hatton and his Militant group. They have been forced into a deservedly humiliating retreat and have had the cruel deception of their strategy exposed. They always proclaimed their action as a defence of jobs and services. Yet if the trades unions had not stepped in smartly to protect their members the council leaders would have made the entire council workforce redundant—a loss of 31,000 jobs. The councillors, elected to serve the best interests of all their local citizens, were equally prepared to abdicate their responsibilities by stopping all services with only emergency provision continuing for the disabled, elderly and children's homes. This is the very antithesis of service to the local community on which local government is founded.

But in spite of being spared these privations the people of Liverpool remain the real losers because, unfortunately, any financial solution agreed this week is far from the end of the matter. Although both the High Court and the Labour Party are scrutinising the actions of Mr Hatton and his colleagues, both investigations are likely to proceed very slowly while chaos can be fostered speedily at any time. Mr Hatton has already indicated his intention to return to the fray, describing his enforced retreat as a "temporary setback."

Battleground

The next likely battleground is already clear. The budgetary process for 1986-87 will begin in Liverpool in under eight weeks. Many of the problems put on hold by the solution to this year's budget will reappear then—with one crucial extra dimension. For the first time Liverpool City Council's budget and rate level will be limited in 1986-87 under the government's rate-capping legislation. Before allowing for extra duties resulting from the abolition of Merseyside County Council, Liverpool's cash budget must fall from £265m this year to £245m next year, a real terms cut of around 15 per cent. This looks like a ready-made excuse for Mr Hatton to try to whip up another long-running and highly publicised crisis.

Attempts to stop him need to start now and the key problem is for the Labour Party and Mr Neil Kinnock, whose disowning of Liverpool Militants last week was one of the most constructive levers in forcing them to back off. The party needs urgently to find a way to isolate Militants so the people of Liverpool can distinguish between Labour candidates and activists bent on persistent and chaotic confrontation.

UK newspaper industry

A golden opportunity if not yet a golden age

By Sue Cameron

ROBERT MAXWELL

LORD HARTWELL

ARE BRITAIN'S national newspapers heading for the start of a new golden age of profitability and expansion?

A prudent man, such as Mr Salter, the downtrodden editorial hack in Evelyn Waugh's novel Scoop, would doubtless reply: "Up to a point, Lord Copper."

Today, after years of inadequate financial returns and seemingly intransigent industrial relations problems, a fresh feeling of optimism can be detected among senior managers in the UK's national newspaper industry. The reasons are not hard to find.

Half of Fleet Street—centre of the industry in London—is currently boasting of expensive schemes to move to new plants in East London's docklands. Most managements are also finally making some shift to adopt a tougher line over their chronic overmanning and dangerously high cost structures—at last with some success.

At the weekend came the news that the National Graphical Association, historically the most powerful Fleet Street print union, was prepared to accept the principle of direct, computerised typesetting by journalists rather than printers at the new docklands plant of Mr Rupert Murdoch's News International group. Although detailed negotiations are still to come, this is potentially Fleet Street's biggest labour relations breakthrough since the Second World War.

The industry's financial position is also stronger, thanks to the flotation of Reuters, the international news agency and business information group, in which several Fleet Street groups have shares. Last week, £115m worth of this Fleet Street holding was sold.

The sheer pace of all these developments in the last few months seems to justify the belief of Mr David Stevens, chairman of United Newspapers and Britain's newest Fleet Street baron, that the industry is on the verge of making the kind of major advances that will put it back on the road to acceptable levels of profitability.

One of the reasons for this tougher management line is the arrival in Fleet Street of Mr Eddy Shah, the newspaper entrepreneur who is planning to launch next pring a seven-days-a-week, full colour national daily with fully computerised production and with far lower advertising rates than established papers as well as a much smaller staff. Nor will his start-up costs be as high as those of some existing papers moving to docklands.

Associated Newspapers admits publicly that it is speeding up its modernisation plans at least partly in response to the threat of competition from Mr Shah. At News International, Mr Murdoch, too, has told his unions that the Shah paper demonstrates "clearly that other publishers and companies are willing and ready to move into our markets." The newcomers, he said, would have "the overwhelming advantages of modern technology and one union, no strike agreements."

But more than the Shah factor is at work. For some newspapers, falling sales and/or depressed advertising revenues have been an equally important factor in the pressure for change. So, too, has the sheer cost of the new machinery and the new docklands plants that so many are planning. Faced with heavy investment demands, the financial burden of overmanning in newspaper production—estimated by Mr Murdoch at between 50 per cent and 300 per cent — is becoming impossible to shoulder.

Mr Maxwell, who is buying new colour presses for MGN and who has spent £10m this year alone on promoting his newspaper, has made repeated attempts—once again at the weekend accompanied by threats of closure— to trim his total workforce of 6,000 people. One major reason for his dogged determination to knock MGN into better financial shape must be the fact that today MGN is selling over 2.7m fewer copies of its three major national titles per week than it was a year ago.

Any drop in sales hits popular papers, such as the Daily Mirror, especially hard, since they rely on their circulation and cover prices for up to 70 per cent of their total revenue. The rest comes from advertising. These proportions are reversed for the so-called quality papers.

Yet there is no reason to think that the potential market for newspapers is shrinking in the UK—quite the reverse. Mr Shah's News (UK) group has done research which suggests that over 4m people in the UK still do not buy a newspaper at all while a further 3m make a last-minute, random choice of paper each morning at their newsagents.

So far, however, there is little hard evidence that Fleet Street has fully thought out its response to a rapidly changing business environment. The Telegraph, for example, badly overmanned even by Fleet Street standards, admitted last week that it is having difficulty paying the debt charges on the £110m refinancing package arranged less than six months ago to meet the costs of modernisation.

The Telegraph is also planning to move to London's docklands without switching to fully computerised production methods, arguably a way of spending large sums of money with little prospect of adequate returns in the longer term. But in this, the Telegraph is not alone. With the exception of Mr Murdoch's Sun and NoW, none of the UK's existing national papers is expected to be fully computerised when they complete their costly moves to new plants in both London and Manchester.

Mr Murdoch's apparent breakthrough on new—as opposed to newish—technology at the weekend could mark the start of a more successful approach to introducing computerised methods throughout the national newspaper industry. But his group has had some notable failures in the past. In the late 1970s it spent some £20m on a new printing plant in Glasgow. Agreement to operate it has never been reached with the print unions and the plant is still lying idle.

Even News International only has the beginnings of a deal on computerised newspaper production—and then only for the Post, the London evening paper it is planning to launch next year. Negotiations for extending any agreement to the NoW and The Sun still have to be started. And key management demands for such things as a no-strike deal still have to be dealt with.

So talk of a golden age in Fleet Street sounds premature. Perhaps the change in tone, however, has as much to do with an influx of new blood into the senior ranks of the industry as with any substantial elements of progress. Both Mr Maxwell and Mr Stevens are newcomers to national newspapers.

Meanwhile, Mr Conrad Black, the Canadian businessman who already has a 14 per cent stake in the Telegraph, could be standing in the wings to take over control of the group. Staff at the Telegraph, whose journalists have unanimously supported a vote of no confidence in the management's ability to rescue the company from bankruptcy, believe Mr Black may be merely waiting for the price to fall before he makes an offer.

There are also other, less remarkable, reasons for optimism on the part of many national newspapers today. The strength of sterling against the dollar this year has moderated the cost of newsprint, for example. And with the economy in a phase of steady, if modest growth, a number of papers are looking forward to better results than they had last year. The Times, for example, is expecting to break even for the first time in years. The Daily Mail is hoping to turn a break-even position into a small profit while losses at the Mail on Sunday are confidently predicted to be more than halved. The Financial Times, which recently opened in the US its second non-UK printing operation, also continues to be both profitable and expansion-minded.

Taken together these three factors—more stable profitability, new owners and perhaps a consequent improvement in managerial morale, plus the spur of increased competition—have at the very least created an opportunity for change. It remains to be seen whether an industry chronically attuned to the skills of muddling along is ready to take it.

SAYING GOODBYE TO FLEET STREET

● NEWS INTERNATIONAL, Mr Rupert Murdoch's group, is the biggest player in Fleet Street. Times Newspapers—the Times and the Sunday Times plus their supplements—has in the last four years turned a £25m loss into a £7m profit. The Times itself has achieved a large circulation rise, having held its cover price (23p) below that of its main competitors.

The paper is now almost breaking even but critics say this has been at the cost of a more downmarket content.

The Murdoch group's mass circulation newspapers, the Sun and the News of the World, have failed to maintain their profits momentum in the last year, largely because of industrial problems. They are both due to move to a £80m Docklands printing centre, as soon as Mr Murdoch agrees satisfactory terms with the unions. News International reported pre-tax profits of £46.8m for the year to June—a £6.1m improvement on the previous year.

● The Guardian group—which includes the profitable Manchester Evening News—had pre-tax profits of £4.9m in 1984-85, up from £3.3m the previous year. The Guardian itself, which is expected to break even this year, plans to move to a £20m docklands printing plant in 1987.

● Associated Newspapers—Daily Mail and Mail on Sunday—is buoyed up by its oil and gas interests. Pre-tax profits for the six months to the end of March this year were £16.4m—well up on the £8.7m for the same period of the previous year. But last year the Daily Mail is thought to have merely broken even while the Mail on Sunday is estimated to have lost almost £19m, mainly because of high costs and inadequate (though rising) sales. Associated has brought forward plans for a £100m new printing complex in London's docklands by four years to 1988.

● Financial Times had trading profits of £8.2m last year and is expected to maintain its strong performance this year. It has no plans to move to docklands. The FT is spending over £4m—plus £1m a year running costs—on computerised technology which will be used by journalists and which will have no pay off in the short term. The move could, however, be a step towards computer-based production.

● The Express stable—Daily Express, Sunday Express and the downmarket Star—is part of Fleet Holdings, which was taken over last month by United Newspapers. Fleet's pre-tax profits in the year to June 1985 were £28.5m compared to £22.2m in the previous year. Its national newspaper pre-tax profits rose from £6.4m to £10.5m. United has no immediate plans to move the printing plant from Fleet Street.

● The Telegraph group—the Daily and Sunday Telegraph—completed a £110m refinancing package this summer which is designed to pay for ambitious modernisation plans including a move to Docklands. Its results, which are due out this week, are expected to show a loss after debt charges. Economies have been ordered but a change in the group's management is widely forecast. Lord Hartwell, the 75-year-old chairman, insists there will be no change in ownership—the Berry family has a controlling interest.

● Mirror Group Newspapers—the Daily and Sunday Mirrors, Sunday People, Sunday Mail and Daily Record—is thought to have contributed only £3.8m to the pre-tax profits of its Pergamon Press parent last year. Of this, some £3m came from the group's Scottish papers. Mr Robert Maxwell, MGN's publisher, is spending £60m on new colour presses and plans to move his London operation to docklands.

THE CIRCULATION WAR

	April-Sept 1985	April-Sept 1984	Change
Daily Express	1,883,322	1,988,339	−105,017
Daily Mail	1,828,597	1,837,521	− 8,924
The Mirror	3,169,214	3,505,372	−336,158
The Star	1,472,297	1,501,945	− 29,648
Sun	4,090,921	4,150,191	− 59,270
Daily Telegraph	1,211,877	1,252,847	− 40,970
Financial Times	230,981	215,909	+ 15,072
Guardian	480,697	466,376	+ 14,321
The Times	475,707	424,893	+ 50,814

Source: Audit Bureau of Circulations

Men and Matters

Texaco's $10.5bn problem

Joe Jamail, the Houston lawyer responsible for the $10.5bn damages award against Texaco, the US oil giant, is one of those larger-than-life figures which only the state of Texas can produce.

He is a drinking buddy of Willie Nelson, the country and western singer, as well as being a close friend of Hugh Liedtke, the chairman of Pennzoil, who swore he would get even with Texaco after it gazumped his bid for Getty Oil last year.

Jamail aged 59, grandson of an immigrant Lebanese grocer, is one of the top Texas lawyers in the highly lucrative field of winning large personal injury awards against corporate giants.

Like Liedtke he has a pretty low opinion of current business ethics in corporate America. Practicising what he preaches his previous victims in court actions include Firestone, General Motors, RCA, and Eli Lilly.

Jamail says he took the Texaco case because it offered a once-in-a-lifetime chance to make a very big point about managerial ethics. "I do not want corporate America to think they can continue their duplicitous double-dealing."

There is also the little matter of the fee, which may have influenced Jamail's decision about taking the case. Typically lawyers performing such duties are paid only by results and receive a percentage of the award — anything up to one-third, in fact.

Jamail refuses to discuss his compensation. But some Wall Street sources speculate that it could top $2bn if the full award is upheld.

While Texaco is reluctant to talk about the case it is clear that senior officials never felt they had a chance of a fair trial in Texas.

They tried hard to have the case heard without a jury in the state of Delaware, where big business likes to have its cases tried.

When Texaco's lawyers had no choice but to accept jury trial in Houston, Pennzoil's home town, they tried to have the judge changed after it emerged that Jamail had given $10,000 to his election campaign.

No handcuffs

There is a notable absentee from the new top management line-up announced by Barclays de Zoete Wedd (BZW). The name of Jim Titcomb, senior partner of de Zoete and Bevan, the stockbroking firm in Barclays' Big Bang conglomerate, does not appear.

But there is nothing sinister to be read into that observation. The short answer is that Titcomb has decided to retire at the tender age of 55 to fulfil a promise he made to his wife, and to encourage the younger members of the firm.

"I actually promised her that I'd start pulling back when I was 50. That slipped to 55, but this time I really am going. The notices have gone out to the staff," he says.

Barclays knew of his plans when they agreed to the merger last year, so Titcomb is not held fast by the "golden handcuffs" that have been clapped on many partners in the new City groupings.

And he will retain an interest in BZW which is to be 80 per cent owned by Barclays, and 20 per cent owned by de Zoete and Wedd Durlacher partners.

Titcomb does not intend to relapse into idleness. He will advise the corporate finance side of BZW and keep his directorships on other company boards as outlets for his renowned energy.

Will he miss taking part in the City revolution. "I shall certainly miss it. But whether I mind missing it is another matter."

Titcomb is only the eighth—and last— senior partner of de Zoetes, which was formed in 1798. Six of them were de Zoetes, followed by Sir Martin Wilkinson and Titcomb. That makes an average of 24 years' service each.

Titcomb has been senior partner for only 10 years. But he ventures to suggest that in terms of hours worked he has probably been at it the longest.

"I was wondering if it would be cheaper to send myself as a Red Star parcel every morning in future?"

Away days

Thanks to Becket's Directory to the City of London, which will be published this week, we now know what top City people are likely to be doing when they relax from banking, broking, accounting, or simply counting the profits.

Looking at 1100 at, or near, the top of the tree Becket's finds that they are most likely to be punishing a golf ball (the sport of 20 per cent).

Tennis is a close second (16 per cent). Sailing and shooting each attract 11 per cent, and 13 per cent prefer gardening.

Before you write them off as a too-typically-English bunch let me mention some of the minority recreations. They include jungle trekking, theoretical physics, Chinese philosophy, hot air ballooning, scuba diving, mountaineering, beagling, bee-keeping, cattle rearing and lepidoptery.

Beckett A1

In the wake of the resignation of Ian Hay Davison from the post of chief executive at Lloyd's the individual who is emerging as one of the most powerful figures in the corporation is Bill Beckett.

Beckett, who is in his mid-50s, was one of the Department of Trade and Industry's top lawyers. He held deputy secretary rank until he moved a year ago to the newly-created Lloyd's post of solicitor to the corporation. He is now responsible for the disciplinary and legal side of Lloyd's and one of the six top officials in the Lloyd's insurance market.

Underwriters have seen him presenting large tomes to Peter Miller, the Lloyd's chairman, on the future structure of the corporation and Miller appears to be placing a good deal of weight on some of the Beckett options.

Miller has said repeatedly that he is both the prime minister and the chief executive head of Lloyd's civil service.

Beckett has been bold enough to suggest if the chief executive is the head of the civil service there is no need for him also to sit in with the cabinet—that is, with the council of Lloyd's.

Fur trading

Another piece of marketing advice from Peter Schutz, the chief executive of Porsche in the US, whose story about running away from a bear I told recently.

Always remember, he says, to market the relevant aspects of a product . . .

"A man doesn't buy a mink coat to keep a woman warm. He buys it to keep her quiet."

Observer

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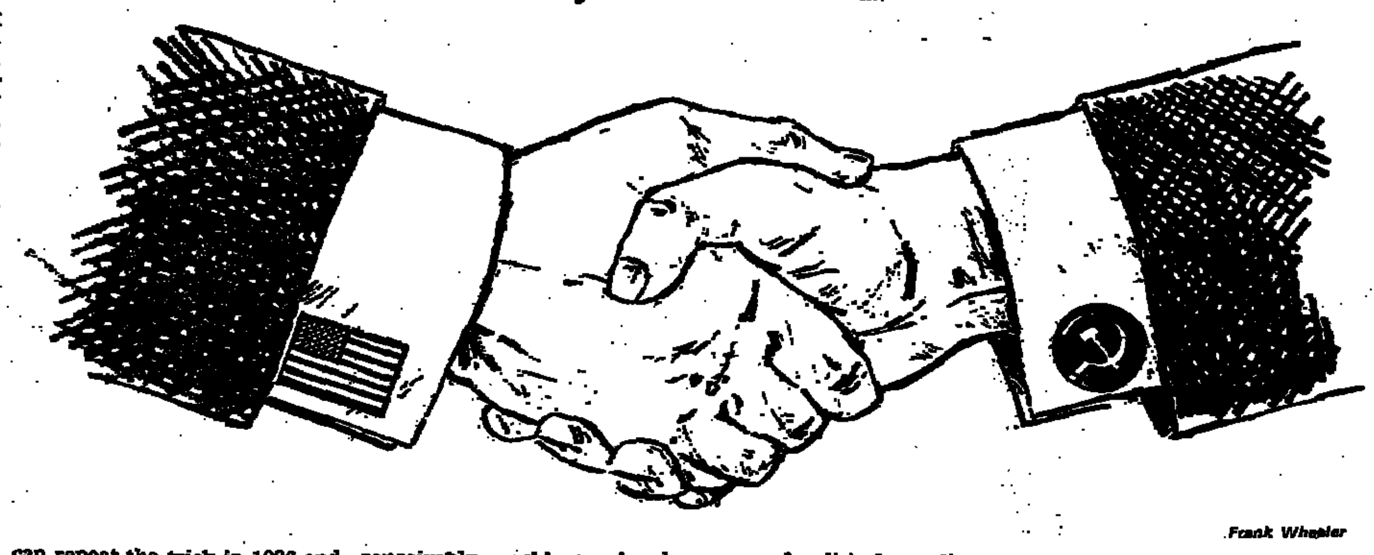
FOREIGN AFFAIRS: AFTER THE SUMMIT

Writing history backwards

By Ian Davidson



Frank Wheeler

MUCH OF the comment on last week's summit meeting between President Reagan and Mikhail Gorbachev has focused wistfully on the absence of any apparent agreement on the great issues dividing the superpowers.

Mr Gorbachev's priority, when the meeting was originally fixed, had been to secure some American concessions on Mr Reagan's Star Wars anti-missile defence programme: he has come away emptyhanded. Mr Reagan's priority, formulated more recently, had been to distract attention from Star Wars by denouncing Soviet trouble-making in the Third World.

Yet all that emerged, after two days of intensive conversation, was a promise by the two leaders that their negotiators would try harder in future. It may seem a meagre result after so much hullabaloo.

Yet it is conceivable that we are witnessing the start of a process that radiates uncanny echoes of the history of 15 years ago — except that this time history may be rewriting itself backwards. The last time that an American president had regular summit meetings with his Soviet counterpart, it was for the ceremonial exchange of agreements which had previously been negotiated, starting with the first Strategic Arms Limitation Treaty (Salt I) and the Anti-Ballistic Missile (ABM) treaty in 1972. Admittedly, each succeeding Nixon-Brezhnev meeting produced rather less than its predecessor, under the twin pressures of Watergate and the 1973 Middle East war. Nevertheless that was the pattern: negotiation climaxing in the ceremonial summit.

This time the process has been turned on its head. Nothing has been agreed except that the two leaders will meet again, next year and the year after. And since President Reagan seems determined not to give the Russians the one thing they want most, an explicit ban on any Star Wars deployment, and which they have (not unreasonably) made the precondition for going ahead with any deep cuts in offensive nuclear weapons, the joint declaration that their negotiators will do better in future seems based on a large dose of illusion.

Perhaps President Reagan is so buoyed up by the bonhomie of last week's media event that he is persuaded either that he can repeat the trick in 1986 and again in 1987, or else that he still has a chance of achieving the impossible — an agreement on deep reductions in offensive nuclear weapons but *without* any self-denying ordinance on American freedom of manoeuvre with regard to Star Wars. After all, he has held out against the Soviet demand at this first summit, and Mr Gorbachev just kept on smiling. So why shouldn't he rely on charm and sincerity next time around, and the time after that?

Well, maybe he can, but I rather doubt it; much depends on whether the two superpowers can, for the first time, separate their obsession with nuclear weapons from their obsession with each other. To the Russians (this has been said many times before, but is so central that it is worth saying again), the significance of the 1972-74 summits was not just that the nuclear arms control agreements codified and endorsed Soviet nuclear parity with the US, but that the ongoing process of negotiation and dialogue symbolised in their eyes political parity as well. They have got nothing out of the collapse of detente. For them the balance sheet of the late 70s and early 80s is bleak indeed: an apparently endless war in Afghanistan, continued uncertainty over the political situation in Poland, political alienation in western Europe and in Washington, massive re-armament in the US, and a Star Wars programme which, conceivably, could one day be used to take away their nuclear parity. It is a daunting picture.

It is particularly daunting for a dynamic new Soviet leader. Mikhail Gorbachev may have moved with unprecedented speed in shuffling around the *personae dramatis* on the Soviet stage to suit his purposes, and the implication is that he is very much in control of political events in the Kremlin. Nevertheless, as a new man, and a representative of a new generation of leaders, with a modern public style, he needs to justify his meteoric ascent by producing better results than his gerontocratic predecessors. He is publicly committed to economic reform and a faster economic growth rate; and he has openly and disarmingly admitted that one of the essential conditions for faster economic growth is the restoration of calmer international relations.

For Mr Gorbachev, then, the establishment of friendlier and more frequent contact with the Americans may well be worth having in its own right, even if it fails to produce any very dramatic new agreements on arms control or anything else. The hand-shakes, the smiles and the photo-calls in Geneva may suggest to viewers in Russia that this new man, in one bound, has succeeded where both his aged predecessors failed, in recapturing a sense of political equality with the US. Ronald Reagan may not see it that way — it is hard to be sure how he does see it — but he cannot prevent the Russians from doing so.

For all we know, Mr Gorbachev may even have scored a few points on the contentious issue of Soviet trouble-making in the Third World. President Reagan went to Geneva intending to make this the centrepiece of his requisatory against Moscow. But Mr Gorbachev had plenty of time, in his long *tete-a-tetes* with Ronald Reagan, to explain that the Soviet Union gets no joy out of the war in Afghanistan; but that a simple withdrawal is just not on, because it would leave the door open to a hostile regime in Kabul, which would be much more threatening to the Soviet Union than the Sandinistas in Nicaragua could ever be to the US. And in any case, it was not he, Mikhail Gorbachev, who decided on the invasion of Afghanistan six years ago. At the very least, President Reagan may find it slightly more difficult to reduce Soviet foreign policy to the crude over-simplification of "trouble-making."

Finally, Mr Gorbachev may have decided, despite the urgency of his earlier demands for immediate concessions on Star Wars, that in practice he has the option of playing the arms control issue two ways: long and short. The short-run option is implied in last week's joint Soviet-American declaration: the two sides will genuinely seek an equitable arms reduction deal which takes full account of their different anxieties, and they will seek it fast; when such a deal is ready for signature, President Reagan will be unable to resist the pressure for binding commitments circumscribing Star Wars. Eh voila!

But a long-run option is also possible for a Soviet leader who may have another 20 years in power, and who will certainly outlast Ronald Reagan. Star Wars deployment is not for tomorrow, or even the day after. In its animated-cartoon form it is certainly impracticable for many, many years, and it may never be practicable; even a stripped-down version is a number of years away from any irrevocable decisions. If Ronald Reagan is determined not to surrender a scintilla of his Utopian vision, even if it means giving up the chance of an arms control agreement, one or both of his potential successors in 1988 may well be anxious to compete for the privilege of signing the first-ever nuclear arms reduction deal.

Naturally, President Reagan's advisers can see perfectly well that Mikhail Gorbachev has the long as well as the short option —and this goes for the opponents of arms control, as well as for the supporters. Which is why both warring factions in Washington will be anxious to cut a deal with Mr Gorbachev before the next presidential election: the supporters for obvious reasons; the opponents, in order to ensure that Mr Reagan's successor does not give away Star Wars in its entirety. So provided the Russians are not *too* unreasonable in the Geneva negotiations, the chances are that Mr Reagan will come under great pressure to do a deal at the next summit — or the one after.

There is just one hitch, however, a problem which will mark off the detente of the late 1980s from that of the early 1970s. The central issue of 15 years ago was the role, the status and the rights of the Soviet Union, in particular its rights in eastern Europe. If there is to be a major reduction in nuclear weapons, the central issue will be the role, the status and the rights of *America* in *Western* Europe, in particular the status of its military presence.

The Russians have long tried to get their hooks into US nuclear weapons in Europe; in the abortive Euro-missile talks which broke down in 1983, they tried to deny the US right to deploy cruise and Pershing II missiles in Europe; and they will go on scratching at this question because, they claim, they are twice threatened, from Europe and from the US. In their opening bid in Geneva this year, they reverted to the old refrain, by trying to redefine US nuclear weapons in Europe as "strategic," on the grounds that they could reach Soviet territory, while excluding their own SS 20 missiles from that category. They may have moved off this extreme position last week at the summit. But even if they have, this issue of the US nuclear presence in Europe is bound to become much more salient against the prospective background of deep cuts in the inter-continental strategic nuclear forces. The Russians may have failed to prevent the deployment of cruise and Pershings; but they may use the prospect of strategic cuts to stage a re-run of the Euro-missile debate.

Lombard

Mr Lawson steals critics' clothes

By Peter Riddell

MR NIGEL LAWSON'S autumn statement has altered the terms of the political debate in ways which neither his allies nor his opponents have yet fully grasped. If, in Disraeli's words, he has not quite yet walked away with the Whigs' clothes, the Chancellor has certainly left the Opposition looking dishevelled.

A combination of higher public spending (however financed), steady economic growth, a levelling-out of unemployment, a consumer boom and low inflation has robbed the Opposition of some telling points. This has produced an ambivalence in both the Labour and Alliance camps about whether to attack the statement as U-turn or whether to regard it as cosmetic electioneering.

The initial Labour reaction was that the broad economic policy was unchanged—that, in Mr Roy Hattersley's words, the changes were "far more a matter of presentation than substance." In his view the increases in capital spending have been minuscule, the trend rate of economic growth remains very low and unemployment is likely to stay high without any significant fall. Therefore all that is likely to happen is an increase in consumption financed by temporary tax cuts paid for by the sale of British Gas.

Yet an outright reflationary appeal no longer sounds so credible if the economy is growing and living standards are rising—even if only temporarily—and just for those in work. Hence, in recent speeches, Labour spokesmen have focused on charges of fiscal irresponsibility and continued neglect of the needs of manufacturing.

Alliance leaders have argued that the policy has been relaxed and they have objected to tax cuts as the wrong priority. Dr David Owen has quickly put on the hair shirt of Sir Stafford Cripps in denouncing "a candy-floss consumer boom" with tax cuts aimed at those in work. The Alliance theme is that the Government is trying to buy votes and not to address problems of national decline. The implication is not only that any money should be spent on investment and training but that total public expenditure should be constrained. The snag is that the appeal of altruism to employed Alliance supporters among the Volvo-owning classes of the south-east may be limited. The Tories may be better readers of human nature.

Mr Lawson has also undermined the position of the Tory wets. Messrs Heath, Pym and Gilmour have all welcomed the statement, with varying degrees of sarcasm, as a pragmatic shift in their direction. While they all want more measures, their voice is muted for the moment.

An immediate result has been that the annual elections for the officers of the Tory backbench committees have been more low-key than in recent years. Rival slates of candidates are still being put up, but in general, there is a desire to avoid divisions. Tory tribal instincts of cohesion are reasserting themselves.

Ministers themselves have not fully adapted to the new approach. Indeed, Mrs Thatcher and Mr Lawson deny that anything has changed. Spending on some individual programmes may have been increased but fiscal probity is still being maintained.

But this still leaves a considerable ambiguity in ministerial speeches; thus the electors of Tynebridge were told last week both how much money the Government was spending on inner-city projects in the area and then, a day later, why the Government could not accept the CBI's call for a limited increase in spending. Both statements are no doubt consistent but they are confusing. Mrs Thatcher at present feels aggrieved that the extent of capital spending is not appreciated yet she proclaims herself still the same "prudent Maggie." If the Government is going to change its language, Ministers should be telling the same story.

Mr Lawson may have gained the political initiative in the short term but, like his predecessors, he may discover that the financial markets have the last word well before polling day.

Letters to the Editor

Safety in coaches

From the Managing Director, Roman City

Sir, — Amid the publicity which has come in the wake of recent coach crashes, it is perhaps inevitable that there would be a certain "closing of ranks" by the industry. The announcement by Linda Chalker of her plans to introduce speed limiters, however, prompts me to write that consideration should be given to other aspects of coach operation that must hold a certain responsibility for these occurrences.

We are keenly aware of the dangers of coach speeding — and the problems associated with controlling reckless driving by coach drivers — and welcome any moves that will aid the industry to enhance the already excellent safety record that coach travel enjoys. The problem of speeding by drivers (and it has yet to be proved that recent accidents could be solely attributed to speeding) is, however, only one part of a complex situation that will take more than speed limiters to overcome.

While in the interest of safety the Department of Transport has (generally) the ability to check (via the tachograph) drivers' hours of work, speed and rest periods, etc, to ensure that current limitations are adhered to (and, where these have been shown to have been exceeded, to prosecute), it is a contradiction that, in the case of express motorway coach services this facility is not available, as the use of the tachograph for this class of work is merely "recommended" and cannot be enforced by law.

Until the industry recognises, and raises, the position of public service vehicle drivers to professional status (and accepts commensurate wage levels) there is little hope of demanding the higher standard of drivers that we all need. It is totally unrealistic to expect to attract the right kind of personnel — responsible for vehicles worth upwards of £100,000 and more importantly up to 80 or so passengers—on a basic wage of only £90 for a 45-hour week.

I know of a 15-month-old express coach which was found to have 91 defects only six weeks after being passed in the annual DoT test; among the defects were some electrical wiring in dangerous condition and loose steering-box mounting bolts.

In an industry in which it was intended that (following the deregulation of licensing which had hitherto purported to maintain a degree of control) quality was to be attained through more stringent checks by the DoT, it would appear that, because of financial and staffing restrictions, the hard-pressed examiners are no nearer to this goal.

The recession has undoubtedly put many sections of the industry under great financial pressure, which can lead to neglect of the more important safety aspects, and (until more funds are made available) there are too few examiners to be able to maintain effective vigilance.

In our view, until some effort is made to remedy the above factors, there is a real danger of such tragic accidents recurring.

Stephen D. James.
Cheltenham St, Bath.

European science collaboration

From Dr N. Dombey

Sir,—David Fishlock reports (November 16) that "Britain hopes to win the agreement of France and Italy next month as partners" in a new neutron beam facility at the Rutherford Laboratory, near Oxford. He then goes on to show why this is a forlorn hope while "Britain's future participation in CERN, the European research entity for particle physics in Geneva, was . . . in the hands of the Government." France and Italy are not going to be in any mood to join Britain (at Britain's request) in a new collaborative venture in basic science at a time when the government is threatening to pull out of CERN.

In the words of a report to the Government by a committee headed by Sir John Kendrew "CERN is at present the leading particle physics laboratory in the world and is an inspiring example of what can be achieved by European collaboration." Last year, the Nobel prize for physics was awarded to two physicists from CERN (one an Italian) and CERN itself is partially in France. In both Italy and France the success of CERN is seen as a triumph of European science in one of the few areas in which western Europe is ahead of the US, with Japan and the Soviet Union a long way behind.

France and Italy wish to increase spending at CERN, unlike Britain which threatens to leave unless there is a cut of 25 per cent in CERN's budget by 1991-92. Since Britain only pays 16 per cent of CERN's spending it has a very weak hand. The British Government will therefore have to decide soon whether to join Ireland and Finland as the only western European countries not members of CERN and to give up the possibility of joining future collaborative scientific projects in Europe, or to find more cash for basic science.

It is ironic that at a time when the US is spending billions of dollars on future technologies for strategic defence, including the study of high energy particle beams for this purpose, Britain is considering leaving the organisation which has more experience than any other in the practice of that technology. If Britain were to leave CERN, and if in 10 years time the US announced a major breakthrough in particle beam devices, to whom would the Government turn for independent advice on the subject? At present there are British physicists in senior positions in the accelerator group at CERN. But in 1995?

(Dr) Norman Dombey.
Physics Building,
University of Sussex,
Brighton.

Party political publicity

From the Director, Local Government Information Unit

Sir,—I was interested to read the letter from Mr T. Robinson (November 14) welcoming the ban on party political publicity in the new Local Government Bill. I fear however that he has entirely misled readers. The Bill does not merely ban party political advertising, as the Widdicombe committee recommended in its report on local government publicity and Mr Robinson apparently assumes. It effectively prevents any local authority in this country from publishing material on matters of political controversy. In other words, it is aimed at silencing the Government's critics and stifling public debate.

The key words are to be found in clause 2 of the Bill. This states that a local authority shall not publish any material designed to affect public support not only for any political party but also for "a body, cause or campaign . . . likely to be regarded as identified with a political party." In the view of lawyers who have considered the Bill examples of material this would prevent are:

—any material relating to council house sales (a cause likely to be regarded as identified with the Conservative Party)

—any material accompanying rates demands explaining that rates have risen because of cuts in central government grant (likely to be identified with the Labour Party) or have been kept down through privatisation (likely to be identified with the Conservative Party)

—publication of responses made by an authority to recent government consultation papers on social security and privatisation.

In our view, this is a totally unacceptable constraint on freedom of expression in this country and of the right of citizens to be fully informed. This is especially so given the continuing freedom of central Government to publicise its views at public expense. Since coming to power in 1979, the Government has spent £2.9m on 11 politically controversial publicity campaigns including council house sales, abolition and rate-capping. Such "information" campaigns will continue but without the benefit of an alternative point of view.

Margaret C. Pedler.
1-5 Bath Street, EC1.

Outperforming the index

From Mr W. Crosby

Sir,—I refer to the article by John Edwards, "Best to get in at the start" (Weekend FT November 16). The figures and premise on which he comments could be regarded as from a source not wholly uninterested in encouraging a quick turnover in bonds and I suggest that premise is too simplistic. A closer analysis shows that after allowing for a 5 per cent difference between bid and offer prices only eight of the 18 bonds quoted appear with rolled up income to have outperformed the FT-Actuaries All-share Index over the first year. Consequently there is a less than even chance of picking a fund which on this basis will outperform that index in the initial short term.

On the other hand five of the eight funds which did so outperform that index initially were the only ones which went on with rolled-up income to outperform that index over the full period to October 25 1985. Perhaps early winners can be reasonable long term performers when compared with the odds against achieving on a relatively small number of bond holdings a sufficient number of correct short trem decisions to offset relevant costs and wrong decisions and to match that performance.

W. C. T. Crosby.
14 Midmar Drive,
Edinburgh.

FINANCIAL TIMES

Monday November 25 1985

Terry Byland on Wall Street

Stripping runs into trouble

THE MARKET for Strips, the US Treasury's answer to Cats and Tigrs, Treasury receipts and other privately-sponsored devices for separating Treasury bonds from their interest coupons, has run into difficulties.

Dealers are unwilling to strip the bonds, designated Strips in abbreviation of the unwieldy name of Separate Trading of Registered Principal of Securities. The result is that liquidity in the secondary market has tightened significantly since the Treasury introduced strip bonds in February.

Of the $57.6bn of Treasury securities available for stripping, no less than 76 per cent remain unstripped. This represents a traders' strike: while the Treasury designates the bonds, it is the traders who initiate the stripping.

Their reluctance has sharply reduced the rate of growth in creation of new stripped bonds from 23 per cent between July and August to below 10 per cent in September. An unexpected upswing in October probably reflects nothing more than temporary interest rate plays by Wall Street traders.

The problem lies not in shortage of demand for Strips, but from distortion – or "disorder" to quote a major trader – in the market place as a result of extraordinary demand for some Strips by Japanese investors. This has undermined the conventional yardsticks of value and distorted returns over the full range of Strips.

Strips were immediate favourites in Japan where, because of the US Treasury sponsorship, they were deemed acceptable investments by the Finance Ministry. The ministry banned Japanese investors from buying Cats, Tigrs and the other market-sponsored stripped federals which were tagged "derivative securities."

Strips (Sept. 30)

Bond	%
11.625 PC 1194	7.0
11.25 PC 1995	11.0
11.625 PC 2004	54.8
11.25 PC 2015	41.5
10.625 PC 2015	11.6

Source: US Treasury

For Japanese private investors, the Strips offer three benefits: They fill a vacancy for a long-dated investment, offer tax advantages and an exchange rate play.

But what was given with one hand was restrained by the other when the Japanese tax authorities advised that only the bond itself, or "corpus" would be tax exempt: tax treatment of the coupon has been left uncertain.

Consequently, Japanese interest – concentrated at the long end of the range, effectively in two issues – lies wholly in the corpus, and entirely shuns the coupon side of the strip.

This has had two serious effects on the market. First, concentration of Japanese demand at the long end has played havoc with the strips' yield curve, and undermined the market's base for valuing Strips, making stripping financially hazardous.

And second Japanese appetite for only the corpus strip has left dealers holding swelling inventories of unsold coupons, now impossible to hedge because of the valuation difficulties.

Without these distortions Strips ought to give a return virtually equal to that on straight Treasury bonds. But over the third quarter. Strips returned significantly less than Treasuries.

Problems are also beginning to show at the short end of the strips range, where the loss in market liquidity is making life harder for the US money managers who have been the mainstay of this sector.

"The lack of liquidity and uncertainty caused by the Japanese situation has arrested the development of the Strips market," says Mr Thomas Klaffky of Salomon Bros. "Until that is corrected, it will be difficult for it to realise its full potential."

Strips were intended to cut US Treasury financing costs, and provide a desirable zero coupon security for the market. But further Strip issues could prove expensive in a market already holding $44bn of unstripped Strips and a mound of unsold coupons.

The Japanese are due to take a new look at the relevant tax law on January 1 but the market is none too sanguine that the position of strip coupons will be any better.

Unfortunately, the US Treasury has not yet completely eliminated the distinction between coupon and corpus.

There is a need for some clear rulings on the tax status of the two sides of the stripped bond equation if US Strips are to play their intended role in the US finacial markets.

Ulster Unionists prepare to take battle to London

BY HUGH CARNEGY

ULSTER UNIONIST leaders take their battle against the Anglo-Irish agreement on Northern Ireland to Westminister this week buoyed by an impressive street demonstration in Belfast on Saturday which they say showed the depth of feeling against the accord among loyalists.

A delegation of Northern Ireland Assembly members will carry the message directly to Mrs Margaret Thatcher, the British Prime Minister, this afternoon when they meet her at Downing Street at her request to hear their views on the accord.

The 15 Unionist members of parliament will repeat their rejection of the agreement, signed at Hillsborough Castle on November 15, when the House of Commons debates it on Tuesday and Wednesday. The Irish Parliament has already approved the accord and it will take effect after the Commons has given its expected assent.

Mrs Thatcher is considering ways of consulting Unionists on the work of the inter-governmental conference set up under the agreement to dampen loyalist protests that Dublin is being given a say in northern affairs while they are excluded.

But the Assembly delegation will tell her the accord is unacceptable and repeat their demand for a referendum in the province on the issue, which she has ruled out.

Unionists believe Mrs Thatcher will have to think twice about proceeding with the accord after Saturday's demonstration. It was attended by between 70,000 and 100,000 people from all over Northern Ireland and the Rev Paisley, leader of the Democratic Unionist Party, claimed it was the biggest rally of Unionists since Edward Carson proclaimed the Ulster Covenant against Home Rule in Ireland at Belfast City Hall in 1912.

A Unionist MP said yesterday that there would be mayhem on the streets of Northern Ireland if the agreement was pushed through. He said southern civil servants would be in great danger if they came to Belfast to implement the agreement. Unionists would "tighten the screw" by such measures as refusing to pay rates and boycotting Irish-owned banks and stores.

Senior Unionists were relieved that Saturday's rally passed off peacefully. An effigy of Mrs Thatcher, the latest loyalist bogey figure, was burnt and there were 38 arrests. But there was no repeat of the violent scenes which Unionist leaders know damage their cause in mainland Britain, such as the attacks last week on Mr Tom King, Northern Ireland Secretary of State.

At the rally, 14 of the 15 Unionist MPs signed a pledge to resign their seats if the Government refuses a referendum. The exception was Mr Enoch Powell, MP for South Down, who was not present. His position is unclear.

Mr Paisley said the MPs would all resign by January 1, precipitating by-elections in the new year which the Official Unionist Party and the DUP would fight on a joint platform.

John Hunt writes: US investment of between $250m and $1bn for Northern Ireland and the Irish Republic has been discussed in Washington by Mr Nicholas Scott, the Northern Ireland Under Secretary.

In meetings last week with Congressional leaders and senior civil servants in the US Administration he discussed an investment programme to back up the Anglo-Irish Agreement.

Although the package would be for the whole of Ireland it would be "tipped towards" the North.

The talks are still at a very preliminary stage and no decisions were reached. Because of Congressional difficulties over the US budget a final agreement would not be possible until next March.

However, the two sides are thinking in terms of some public funds from the American side matched by venture capital from US banks.

The Americans were eager to see any inward investment from their side matched by private capital from the UK. One possibility is that there could be a mix of private capital and further investment through the job creation schemes from the British side.

Mr Scott emphasised last night that he had not gone to the US seeking some new form of Marshall Aid. But he had found a willingness in Washington to underwrite in some tangible way the US Administration's political support for the agreement.

The Government is expected to have a big majority for the Anglo-Irish Agreement when it is put to the vote in the Commons on Wednesday after a two day debate.

UK sugar group set to control Portuguese refinery

By Andrew Gowers in London and Diana Smith in Lisbon

TATE & LYLE, the UK-based sugar group, is close to obtaining control of a second sugar refinery in Portugal and remains on the lookout for other possible sugar acquisitions, according to Mr Neil Shaw, the company's chief executive and chairman-elect.

Negotiations to give Tate a controlling interest in the Sores refinery, currently majority-owned by the Espirito Santo family, are expected to be completed by the end of next month. The refining company was worth between £15m ($21.7m) and £18m, Mr Shaw said.

In conjunction with the Alcantara refinery on the outskirts of Lisbon, of which Tate has also obtained control, this would give the UK group about 50 per cent of total Portuguese refining capacity. It would put the company in a strong position in the market ahead of the country's accession to the European Community at the beginning of next year.

In its accession negotiations with the EEC, Portugal was keen to obtain a sizable quota for raw sugar imports in order to develop its refining industry.

The expectation in Lisbon is that, if and when Tate eventually acquires the second company, it will seek to rationalise both of them. Both refineries, which have total annual capacity of about 220,000 tonnes, are in need of modernisation.

This will be only the latest in a series of relatively small acquisitions – many of them involving sugar-refining businesses – made by Tate since its takeover bid for Brooke Bond was thwarted by Unilever just over a year ago.

Last December, it announced the $43m purchase of Beatrice Foods' agribusiness division, and it followed this with two other US purchases: Colonial Sugars of Alabama for $18m in January and six mid-Western sugar beet factories formerly owned by Great Western Sugar for $21.5m in March.

The two US sugar acquisitions will give Tate about 18 per cent of the American market.

UK prosecutions office urges reform of laws on fraud

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE OFFICE of the Director of Public Prosecutions, the British statutory body responsible for bringing criminal prosecutions, is urging major changes in the way fraud cases are dealt with in the UK.

The prosecution office has made the move against a background of mounting criticism in Parliament and the City of London that it is not taking enough action in major fraud cases involving the Lloyd's insurance community and other City markets.

The DPP's office wants to see changes which will make less onerous the laws surrounding the degree of evidence which has to be produced in criminal fraud trials. Under the present laws in complex fraud cases, the best possible evidence has to be provided in prosecutions in which witnesses are produced to corroborate and give evidence.

In complex fraud cases where individuals who have been implicated in a vast international fraud are on trial, the DPP has found difficulty in securing the co-operation of overseas witnesses to appear in British courts. The DPP would like a method to be evolved where overseas evidence can be produced in court without requiring a witness to attend in person.

Detailed arguments for such reform have been submitted by the public prosecutions office to Lord Roskill, who has been carrying out a review for the British Government, into the existing laws and court procedures relating to commercial fraud. A report is due to be published in the next month or so.

The Roskill committee is studying whether jury trials are the appropriate way of dealing with complex financial fraud cases. But the DPP is not convinced that the abolition of jury trials would result in increased convictions. "I am not sure that the abolition of the jury system would result in a marked increase of convictions," said Mr John Wood, deputy director of Public Prosecutions in a recent interview.

The DPP's office feels that a tribunal of a judge and assessors might find it difficult to convict in a fraud case once the methods of a financial market are taken into account. But, the DPP argues that it could lead to speedier trials where technical matters are rapidly resolved.

The DPP has also argued that "conspiracy to defraud" charges have been discredited to some extent. The charges, when brought against businessmen operating in financial markets, have been difficult to pursue as day-to-day trading can be confused with the definition of conspiracy under the law.

Frustrations on the fraud trail, Page 6

London SE reform expected to bring sharp fall in commissions

BY BARRY RILEY, FINANCIAL EDITOR IN LONDON

INSTITUTIONAL investors expect that commission rates on big equity deals will drop by between 20 and 30 per cent after the "big bang" restructuring of the stock market in London next October. They are also expecting to cut down the number of different broking firms they use.

Most of them expect commissions largely to disappear from the gilt-edged market, in favour of trading on the basis of net prices.

But although most investors are expecting the markets to become cheaper and easier to use, they are also sceptical about the policing of securities dealings. Some 65 per cent think that the level of investor protection will decline, against 21 per cent who think it will improve; and 61 per cent express concern about the effectiveness of "Chinese walls" between the different departments of integrated securities groups.

These views are expressed in an opinion survey carried out for brokers de Zoete & Bevan (part of Barclays de Zoete Wedd) by City Research Associates. More than 100 top institutional investors were questioned in August and September about their attitudes to the "big bang."

A key finding of the survey is that investors expect quite different developments in the gilt and equity markets. In gilts, many investors think commissions – if they continue on the present basis – will fall by as much as 50 per cent, but in practice 60 per cent do not expect to remunerate their gilt-edged brokers through commission at all. The gilt firms will be expected to derive all their income from taking positions, and from the spread between bid and offer prices.

In gilt-edged, many more institutions (69 per cent) will be looking for order execution skills than for research service (35 per cent). But in equities these priorities are reversed, with as many as 87 per cent emphasising the importance of research.

Because of the importance of equity research, most institutions (79 per cent) are prepared to pay separate commissions, though only 50 per cent are confident they will deal mainly on this basis in practice.

Some favour an agreed scale (28 per cent) with, as now, rates declining on bigger deals, but others prefer negotiated rates based on their level of activity either in the recent past (28 per cent) or expected in the next period (35 per cent).

Institutions fear that if they try to strike a hard bargain over commissions they will experience some downgrading of service. They particularly fear a lower availability of research.

After Big Bang: a survey of institutional investors. De Zoete & Bevan, 25 Finsbury Circus, London EC2M 7EE.

See Lex

Exchange deals soar to $150bn

Continued from Page 1

Group of 30 study group, says that the report is "significant because it involves the widest group of active participants in the foreign exchange markets around the world." The purpose of the 53-page study was to "ascertain the views of market participants on the functioning of the foreign exchange market and in particular the changes that have taken place in the last few years and those they anticipate in the future."

Worldwide investment activity and trading in new financial instruments have been the main sources of the market's expansion, far outstripping world trade, says the report, which notes that world exports grew by only 8.5 per cent to $1,662bn between 1979 and 1983, the latest available year.

Despite this tremendous growth in the volume of foreign exchange trading, the report also paints a picture of a more nervous, tense marketplace. The Group of 30 committee which included representatives from the Federal Reserve Bank of New York, Morgan Stanley, the Bank of Tokyo and Joseph E. Seagram, voiced a number of concerns.

It noted that there has been a loss of depth and resilience in the foreign exchange market – the size of transactions that can be absorbed without affecting the rate is often smaller – and there is evidence of some decline in the competence of dealers.

There are also growing worries about counterparty risk, which reflects the possibility that a customer or trading partner may fail.

Securities houses, commodities firms and futures arbitrageurs head the list of new players who have spurred a more active global foreign exchange market. International banks describe the market behaviour of these new participants "as more speculative and more inclined to taking large positions and big risks." The newer non-bank traders are seen by banks as having a less consistent market presence. They are essentially price takers and do not make markets.

The Foreign Exchange Market in the 1980s, the Views of Market Participants-Group of Thirty, 725 Park Avenue, New York, NY 10021.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	S	14	57	Malaga	F	14	57	Salzburg	Sn	1	34
Akrotiri	F	23	73	Faro	C	13	55	Malta	F	17	63	Seoul	Sn	3	37
Algiers	S	16	61	Florence	S	11	52	Manila	–	–	–	Singapore	F	30	86
Amsterdam	C	-1	30	Frankfurt	C	-1	30	Miami	C	23	73	Stockholm	S	-1	30
Athens	F	20	68	Funchal	S	22	72	Milan	Fg	5	41	Strasbourg	C	-3	27
Bahrain	S	26	79	Geneva	C	2	36	Moscow	S	-6	21	Sydney	F	22	72
Bangkok	–	–	–	Gibraltar	C	15	59	Munich	C	-2	28	Taipei	–	–	–
Barcelona	F	10	50	Guernsey	C	6	43	Nairobi	–	–	–	Tangier	C	16	61
Beirut	–	–	–	Helsinki	C	-1	30	Naples	S	13	55	Tehran	–	–	–
Belgrade	C	5	41	H. Kong	S	22	72	New Delhi	S	24	75	Tel Aviv	S	25	77
Berlin	D	0	32	Innsbruck	C	-2	28	New York	F	6	43	Tenerife	–	–	–
Biarritz	S	8	46	Inverness	F	5	41	Nice	C	8	46	Tokyo	R	9	48
Blackpool	F	7	45	Istanbul	F	16	61	Oporto	C	10	50	Toronto	C	1	34
Bordeaux	S	8	46	Jersey	R	4	39	Oslo	S	-2	28	Tunis	C	15	59
Brussels	C	-1	30	Jo'burg	F	29	84	Paris	C	0	32	Valencia	S	12	54
Budapest	R	4	39	Las Palmas	F	24	75	Prague	Fg	-1	30	Venice	S	8	46
B. Aires	–	–	–	Lima	–	–	–	Reykjavik	C	2	36	Vienna	Sn	0	32
Cairo	S	26	79	Lisbon	C	9	48	Rio de J'o	–	–	–	Warsaw	C	-1	30
Cape Town	C	22	72	Locarno	C	6	43	Rome	C	13	55	Zurich	C	-2	28
Caracas	–	–	–	London	C	4	39								
Casablanca	R	15	59	Los Angeles	C	13	55								
Copenhagen	C	2	36	Luxembourg	F	-2	28								
Corfu	R	14	57	Madrid	S	6	43								
Dublin	F	8	46	Majorca	F	12	54								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US optimism on summit

Continued from Page 1

and Soviet society, and their differences, had not changed as a result of his talks with Mr Gorbachev. But Geneva had reinforced his desire for an improvement in superpower relations based on a realistic assessment of these differences.

He detected some greater Soviet interest in a political solution to the war in Afghanistan that could involve a timetable for withdrawing Soviet forces.

On Star Wars, the US Strategic Defence Initiative, Mr Regan said he believed Mr Gorbachev now understood that the US planned to proceed with the programme.

THE LEX COLUMN

The City's sins of commission

With London equity turnover topping £700m on a couple of recent days the old order of fixed commissions is going out in a highly lucrative style for the stockbroking fraternity. But October 27 1986, the date of the Big Bang, draws inexorbly nearer. Will it all end in tears as the ruthless institutions seize their opportunity to wreak havoc with commissions?

Nobody can be sure, but if de Zoete's new opinion survey of leading institutional investors is any guide, the future will be remarkably like the past – at any rate, in the equity market. Most fund managers want to go on paying separate commissions, rather than dealing on net prices, and few are aiming at more than a 20 to 30 per cent cut in commission rates.

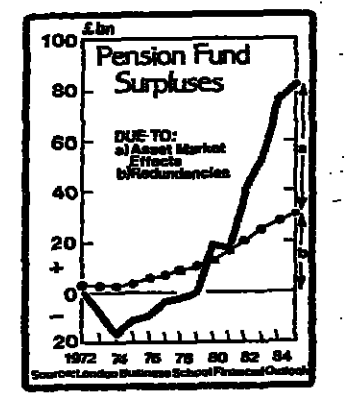
Since they will be losing the benefit of continuation, this might not amount to much of an effective drop at all. It is true that most of them are vowing to deal through fewer brokers – but then, most of them probably said that last year and the year before as well.

Yet the gilt-edged market will indeed be a quite different place. Here, most institutions expect commissions to disappear. It will be a traders' market, with business going to the best market makers, and research taking a back seat.

The big contrast is that in equities a high value is placed by the institutions on research – especially research into individual companies. At the same time, the funds are determined not to pay for it themselves, which explains the enthusiasm for commissions (paid by the investment client) rather than fees or in-house research departments (a cost for the fund management house).

This preference may not apply to all types of institution, however. Insurance companies and self-managed pension funds might be equally happy to pay fees. But few appear to be seriously considering the possibility of cutting out the brokers entirely by relying on in-house research and dealing.

So keen are the institutions on access to top researchers that the big brokerage houses are counting on their ability to bargain on the basis of a position on a telephone list. The institution that is too zealous at negotiating fine rates could be the last to be called after a change of view. And like a solicitor, your friendly broker will be turning on the clock when you ring. He will be expecting that quarter's commissions to justify the time.



At least, that is how it appears in the midst of today's prosperity. But it is incredible that research should be rated so highly in a large and generally efficient market place. And in any case, there will only be room for a few star firms in each sector. Elsewhere, commission rates will be under much more pressure.

But ultimately a great deal will depend on the attitudes of the clients of the institutions. If the fund managers can charge commissions against the clients' funds, they have no great incentive to bargain for lower rates, especially if they are also getting "soft-dollar" benefits such as Reuters or Data-Stream screens. Pension fund trustees watch out.

Pension excesses

There is no denying that pension-fund surpluses are a problem; every other day there is news of a company deciding to take a few years' "contribution holiday," with immediate benefit to pre-tax profits. Distillers did it this week. But it is much harder to remove lumps of surplus from the most over-funded scheme; claw-back of previous contributions, tax-free, is still a rarity though apparently a possibility extended by the Revenue in cases of corporate distress.

While individual stories make it plain that the surpluses must add up to quite a tidy sum, it has been hard to get a handle on how large an aggregate surplus there is. Only companies that have patently been shrinking seem willing to admit that surpluses can arise as a result of reducing the workforce; the only respectable surpluses come from a good investment performance (virtually guaranteed in the last few years). The London Business School has estimated, however, that redundancy may have created an excess over liabilities of about £25bn, while rising asset prices could be worth roughly twice as much.

This is not merely tantalising to the contributing companies. It would surely be at least equally attractive to an incoming Labour Chancellor as the first line of financial nationalisation. Meanwhile, if the investment surpluses are anything like as large as the LBS suggests, there should be no more of the arguments that schemes are unable to afford full transferability of benefit.

Liverpool debt

The last-minute concessions by which the council in Liverpool has kept default at bay are probably no more than a temporary expedient. When the budget-setting process resumes early in the new year, the odds are that Liverpool will again set course for the rocks. Yet the mere 13 per cent yield at which its irredeemable bonds were quoted on Friday suggests that the capital markets have yet to take seriously the consequences of a collapse. Indeed, the tranquillity with which the rest of the local authority debt market has so far glided through the Liverpool affair only makes sense on the assumption that lenders believe, as does Mr Hatton, that there is a backstop in Whitehall.

That is none too clear. It is recognised that the Public Works Loan Board cannot lend new money to a council which is acting beyond its legal powers. That the PWLB may also be unable to roll over existing lines of credit is a possibility, less noticed perhaps, but quite as likely to bring about an eventual wreck. If the Government then devises some method of last-resort lending to Liverpool, it will be confronted by a succession of delinquent councils; if it does not, the credit rating of the local authority system will be likely to slide.

Meanwhile, the Government can claim some success; cuts have at any rate been promised, and Liverpool has been forced to do what is necessary – by capitalising revenue items from its housing account – to obtain standby facilities in the market. But nothing has been done to improve the underlying cash flow of the Merseyside Soviet; a race between creditors and the Government may yet decide whether the story ends in receivership or the despatch of Commissioners to balance the books.

FINANCIAL TIMES

Monday November 25 1985

BONDS

A proliferation of warrants meets demand for hedging

WARRANTS. Warrants to buy Treasury bonds, warrants to buy Eurobonds, warrants with long lives, warrants with short lives, warrants to buy Ecu bonds, warrants to buy Swiss franc bonds. The Eurobond market is as overrun by warrants as Hamelin was by rats, though the inhabitants have not yet felt the need for a Pied Piper to spirit them away, writes Maggie Urry in London.

"There are big pockets of demand, mainly sophisticated investors, who can use them for hedging," said one trader.

The warrants fall into two categories. The first type gives investors a play on the dollar bond markets, and includes the put and call warrants offered by Goldman Sachs on the new US long bond, and the warrants from Salomon Brothers to buy five and 10-year Treasury bonds.

These are a product of the bull market, giving investors a cheap way of participating in a further rise and, in the Goldman Sachs case, a market fall.

Bonds with bond warrants give borrowers a way of reducing their funding costs, as well as offering investors the market play. The warrants buy into a non-callable bond with the same terms as the host bond.

A call provision on the host bond after a certain date, and the requirement to submit the host bonds with the warrants to buy the back bond up to that time, means that the borrower's total issue need not rise above the issued amount; hence the name "harmless warrants."

General Electric's $250m deal gave the company a borrowing cost about 10 basis points below the US Treasury yield curve, much lower than a straight issue would have achieved. Further, the issue, which was open to competitive bidding, would probably have been made in the US domestic market, had the harmless warrants structure not been used.

The second type of warrant seen last week also offers investors a way to hedge, in this case against a dollar fall. Crédit Commercial de France's issue for Sparbankernas Bank is a dollar floater with warrants to buy a fixed-rate Ecu issue, a formula CCF developed. The exchange rate was fixed at $1 to Ecu 1.135 on Friday and the warrants can be exercised until January 8, 1987.

The issue gives the borrower funds at below the London interbank offered rate (Libor), as the cash raised from the 100,000 warrants, priced at $37, cuts the total cost.

Also on Friday Royal Bank of Canada offered 200,000 warrants to buy a non-callable 10-year Swiss franc bond with a 5½ per cent coupon at an exchange rate to be fixed at a 3 per cent discount to the average spot rate on three days this week.

Investors must have five warrants, priced at $25 each, to buy a SFr 5,000 bond. The negative aspect of the deal is that there are only four exercise dates, in March, June, September and December next year.

Away from the warrants, the Eurodollar bond market had a volatile week. Prices see-sawed each day as the Eurobond market tried to follow the moves in New York's previous session.

That often meant that when Europe went up, it was hit on the head by New York coming down again. This proved a frustrating background for new issues managers, who responded to the market's bouts of strength with issues, which were then launched in the less good patches.

Despite the bad moments, and Friday afternoon was one of them, many traders are confident that this week will see a further run in the bond market. That would bail out some of last week's deals, such as Eksportfinans, which was priced fairly but was only just inside its fees by the weekend.

Even a good run may do little to help last week's Sushi issues – bonds issued by Japanese entities which can be sold to Japanese investors without adding to their foreign bond commitment. Nippon Telegraph and Telephone, for example, was bid at a 3 point discount to issue price on Friday afternoon.

The problem with many of these deals is that the lead manager must promise the borrower a certain cost of funding up to a month in advance of the issue. If the market moves in between, so much the worse for the syndicate. With demand for Sushis now much reduced, as the Japanese authorities have frowned on the use of this loophole, it is near impossible to fix terms that satisfy the borrower and inspire European investors.

Continental bond markets have generally enjoyed a cheerful week. Unilever's French franc issue, Ford Credit Canada's Ecu deal, and Sydkraft's Danish krone issue were all successful.

The Swiss franc foreign bond has regained confidence, with prices up by around ½ point last week. As a result, a swarm of new issues were launched late in the week, with swaps for US corporates working once more. A range of interesting borrowers, rather than the usual dull fare of Japanese private placements, was offered and at prices generally regarded as good, so the paper should be absorbed.

D-Mark Eurbonds gained up to a point over the week and here too, new issue managers are taking a more realistic approach to pricing issues.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	6,326.2	—	2,826.3	229.5
Prev	1,648.8	17.6	2,040.8	316.7
Other	788.8	—	0.5	25.6
Prev	204.8	—	272.3	58.5
Secondary Market				
US$	22,026.4	958.9	12,382.8	3,547.7
Prev	16,309.8	1,074.1	12,619.1	2,361.6
Other	4,579.2	127.6	828.9	1,996.7
Prev	5,192.6	98.3	1,094.3	1,919.6

	Cedel	Euroclear	Total
US$	15,038.0	33,064.9	48,103.9
Prev	10,595.6	25,929.7	36,525.3
Other	4,537.2	3,510.1	8,047.3
Prev	3,000.2	3,838.2	6,835.4

Week to November 21 1985 Source: AIBD

CREDITS AND EURONOTES

Gaz de France switches on the lights

GAS DE FRANCE turned on the Christmas lights in the Euronote and credit market last week as borrowers scrambled to complete their 1985 requirements before the year-end break, writes Peter Montagnon, Euromarkets Correspondent in London.

It is arranging a $700m, 10-year loan facility designed to refinance existing borrowings at lower cost.

Suddenly on Friday, the market was alive with business as other borrowers, who have stayed on the sidelines while conditions improved, also decided to take the plunge.

Their decision to wait until the last possible moment seems to have paid off. Terms on the new deals were predictably fine, not least those on the Gaz deal itself which has been the subject of ferocious bidding over the last few weeks.

Orchestrated personally by Mr Jean Reboul, finance chief, this bidding process produced an annual facility fee of just 5 basis points on the standby credit which will back up the issue of Euronotes and bank advances in dollars and Ecus. The credit will have an escalating margin of up to 20 basis points over London interbank offered rate (Libor), depending on usage level.

By Friday Mr Reboul had also already assembled an impressive group of 15 mandated lead banks. Citicorp will be the arranger and book-runner. Crédit Lyonnais will be facility agent. Other lead managers are Algemene Bank Nederland, Arab Banking Corporation, Banque Bruxelles Lambert, Banque Indosuez, Chemical International, CIBC, Crédit Commercial de France, Crédit Suisse, Deutsche Bank, First Chicago, Générale Bank, Industrial Bank of Japan, and Société Générale.

Also just launched is a $350m, 10-year facility for the African Development Bank which is led by Dean Witter and S. G. Warburg. The deal comes under the bank's programme of issuing subordinated debt to expand its borrowing capacity. It allows for the sale of Euronotes carrying a maximum yield of 10 basis points over Libor, though it is unlikely to be drawn as it is intended as back-up liquidity.

The facility fee starts at 7.5 points but would rise to 12.5 points if underwriters had to take up more than 25 per cent of the total facility at the maximum yield. These terms are significantly finer than those on a similar facility arranged last year, indicating growing acceptance at the bank's concept of subordinated debt, which is unique for a development bank.

GNEL, Italy's electric utility, is raising $300m through a 10-year facility led by Citicorp and carrying an annual fee of 5 basis points for the first four years, rising to 6.25 points thereafter. Drawings under the standby credit will bear interest at Libor plus a utilisation fee of up to 20 basis points depending on amount.

Another Italian borrower, Alitalia, has swooped into the market for an Ecu 100m credit bearing a margin of 18.75 points for the first two years, rising to 25 points for the next eight. Lead manager is Chemical Bank International and repayments on this plain vanilla credit start after a grace period of five years.

Chase Manhattan won the hotly contested mandate to lead the first borrowing since 1980 for Ireland's state-guaranteed Industrial Credit Corporation, which finances small and medium-sized business in manufacturing and tourism. This comprises a DM 180m committed standby credit and a $100m uncommitted facility for the sale of Euronotes in dollars and Ecus.

The credit is divided into two tranches of DM 90m each, carrying four and seven-year maturities respectively. The commitment fee is 6.25 points and the basic credit margin is 12.5 points, though additional usage fees come into play if more than half is drawn.

In the Eurocommercial paper market, Prudential Funding, the finance arm of the US insurance company, has appointed six dealers to sell up to $500m. They are First Chicago, Goldman Sachs, Morgan Guaranty, Prudential Bache Securities, Credit Suisse First Boston and UBS (Securities).

Bankers say the issue will provide a rare benchmark in the market for top-rated US corporate paper. The borrower already has about $2.8bn outstanding in the US commercial paper market, where it is rated A1 + – P1. The European issue, which will also be rated, follows the narrowing of rate differentials between the two markets.

Ansett, the Australian airline, has mandated a $150m note issuance facility to Banque Nationale de Paris with a facility fee of 10 basis points for the first three years, rising to 12.5 for the next two.

Maximum rate on Euronotes will be 12.5 points over Libor but, in keeping with an emerging trend for Australian borrowers, Ansett will also be able to market Australian dollar paper at a maximum effective margin of 31.25 points.

Burton Group, the UK clothing retailer, has mandated County Bank to arrange £125m uncommitted facility

BHF Bank bond average

Nov 22		Previous
104.509		104.498
High	1985	Low
105.603		99.840

Gemina willing to sell its stake in Montedison

BY ALAN FRIEDMAN IN MILAN

GEMINA, owner of the largest block of shares in Montedison, the Italian chemicals group, is willing to sell its 17.1 per cent stake if a suitable buyer can be found, Mr Giovanni Agnelli, chairman of Fiat, said in Turin at the weekend. The holding would have a market value of around L400bn ($230m).

"We do not have any vocation which requires us to remain a shareholder," Mr Agnelli said. "We are available to sell the shares held in Montedison by Gemina." Besides Fiat, Pirelli and other leading Italian industrial companies are grouped in Gemina, a financial holding company.

Mr Angelli stressed that much would depend on the kind of investor interested in buying the Gemina holding. Nonetheless, his remarks were the clearest indication yet that the shares are up for sale.

The shareholding structure of Montedison is among the key issues in the redrawing of the map of Italian financial and industrial power. The other main issue – the struggle for control of Mediobanca, the Milan merchant bank which holds a portfolio of vital share stakes in Fiat, Pirelli, Generali and other companies – is expected to be resolved at the bank's annual meeting on Wednesday.

Both the Mediobanca and Montedison matters are highly controversial in that they pit the country's old financial establishment against newcomers and political parties against one another.

The resolution of these questions could determine the shape of business power for years to come.

Mr Agnelli's comments on the Gemina stake in Montedison come one month after it emerged that a complex series of deals was being planned which could see a consortium of new companies and investors, including Ferruzzi, the agribusiness group, become Montedison's most influential new group of shareholders.

Between now and next spring Montedison is hoping to launch a large rights issue which may provide the occasion for a change in its shareholding structure.

Analysts in Milan say Fiat has already made overtures to potential buyers concerning the sale of the Gemina stake in Montedison. The outcome of these preliminary discussions is not known, but no immediate sale is expected.

The first hint that Gemina's stake in Montedison could be for sale came in September when Mr Agnelli said "our presence is not permanent" in Montedison.

The Gemina group of shareholders was much angered last summer when Montedison's chairman – Mr Mario Schimberni – took over B-I Invest, an industrial and financial group, against Gemina's wishes.

● Fermenta, the Swedish fine chemicals and biotechnology company, is adding to its list of recent acquisitions with the takeover of another antibiotics fermentation plant in Italy, writes Kevin Done in Stockholm.

Fermenta is acquiring the plant from Lepetit, a Milan-based subsidiary of Dow Chemical of the US. The plant claimed to be one of the biggest units for the production of antibiotics in Europe, is located in Rovereto.

Mr Refaat El-Sayed, managing director and majority shareholder of Fermenta, said the plant could contribute sales of SKr 450–550m ($57m–$70m) and profits of SKr 70–80m in 1986, if the capacity is fully used. The takeover is expected to take effect from January 8.

The plant produces erythromycin through fermentation and also manufactures intermediate antibiotics products such as 6-APA and semi-synthetic penicillins.

Through earlier acquisitions Fermenta has established itself as one of the world's largest producers of bulk penicillins.

(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

November 1985: Vol. 14, No. 11

Japanese economy at a turning point

Japan's economy, which started to pick up in March 1983, has been enjoying relatively high growth. Recent economic statistics, however, suggest that the economy is now approaching a turning point.

Slow-down in domestic and external demand

An analysis of Table 1 shown below gives the following pictures of the economy:

On the demand side:

—The rate of increase in exports has been declining since the peak in the first half of 1984.

—The rate of increase in domestic demand registered a decline in the first half of 1985 after peaking in the second half of 1984.

On the supply side:

—Gross national product slowed down this year after recording high growth during 1984

—Imports, which had been steadily increasing along with the business expansion, have drastically slowed down since the beginning of this year.

The question is whether the slow-down in domestic demand and production changes the business trends in the immediate future.

The diffusion index (DI) of the Economic Planning Agency gives hints on business trends. The leading series of the index, which is said to point to business trends several months ahead, stayed at the 50 per cent "boom-or-bust demarcation line" in July for the second consecutive month. Since the beginning of this year, the leading series has been on the wane, though zigzagging, indicating a slow-down of the Japanese economy several months ahead. This suggests that the economy is now approaching a turning point.

Slowing exports affecting production

Other economic data announced recently give us insight into the current economic situations and future trends. Exports in the third quarter (July-September) of 1985 rose only 4.6 per cent from the like quarter of last year on a quantitative basis, continuing their downward trend. The slow-down is attributable mainly to sluggish shipments to the U.S. and China, which had been actively buying Japanese products.

Slowing exports have already affected production activity (Figure 1). Production of the electronics/electrical machinery industry, which had been expanding favorably on the strength of strong American demand, fell short of the preceding month's level in July and August as semiconductors and other "star" export items plunged. With the exception of automobiles, whose voluntary export quota was expanded, production has been slowing in general since the beginning of this year, centering on export-dependent sectors.

Capital spending headed for decline

The slow-down in production is casting a dark shadow over the trends in domestic demand.

Private plant and equipment investment, which together with exports had led the business expansion, seems likely to slow down in the near future. Private orders for machinery (excluding those for ships and those placed by power utilities), which mirror capital spending several months ahead, had been recording double-digit gains year-to-year until the first quarter (January-March) of 1985. The rate of increase, however, has since declined to a single digit — 6.8 per cent in the second quarter, 5.9 per cent in July and a minuscule 2.4 per cent in August.

A survey of corporations conducted by the Bank of Japan in August also tells of declining trends in private plant and equipment investments. Major corporations answered that their capital spending increased 8.3 per cent in the second half of fiscal 1984 from the preceding half-year period, but they predicted the rate of increase would drop to 2.9 per cent in the first half of fiscal 1985 and further to 0.4 per cent in the second half.

Personal consumption remains weak

The anticipated pick-up in personal consumption, due to higher wage raises and favorable summer bonuses, has failed to materialize. This is largely attributable to the slow growth in income of the employed.

Income of employed persons is equal to per capita income multiplied by the number of employed persons. Per capita income, namely nominal wages, increased an average 3.9 per cent in the first five months (April-August) of fiscal 1985 from a year earlier, a smaller increase than fiscal 1984's 4.3 per cent. This finding seems contradictory to the fact that wages were raised by 5 per cent in the "shunto" spring wage raise offensive and payments of summer bonuses were 6 per cent higher than last year. The low gain in income can be ascribed to the decrease in overtime worked because of sluggish production activities.

The slow-down in production also affects the number of employed persons. The increase rate of employed persons in July and August was lower than 1 per cent. The effective job-offer-to-applicant ratio has been marking time as job offers have been falling short of the year-earlier levels since June. Also, the downtrend of the unemployment rate seems to have come to a halt. These labor statistics indicate that the employment situation is now at a standstill, although it had been improving since the second half of 1984.

As production is likely to slow down for some time, the increase in income of employed persons will be modest. Under these circumstances, personal consumption will rise moderately.

Correction of external disequilibrium

In spite of the slow-down in exports, Japan continues to run huge surpluses in the current account balance because of sluggish imports. Under these circumstances, the U.S. and other trade partners are stepping up their demands that Japan increase its efforts to correct the trade imbalance.

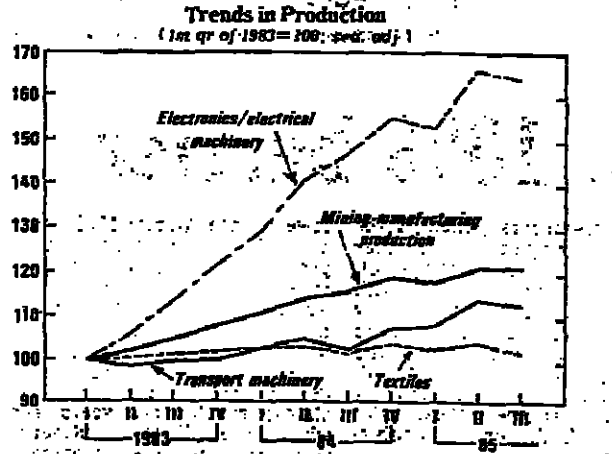
Japan is not the only cause. The U.S. is also responsible for the imbalance with its huge budget deficits that helped push up interest rates and the dollar's exchange rates.

At the late September meeting in New York of finance ministers and central bank governors of the Group of Five, agreement was reached to actively intervene in exchange markets concertedly. During the two-week period after the meeting, the Japanese yen strengthened in one stroke to the 210 yen level from the 240 yen level.

However, the joint intervention is not enough to stabilize the yen rate at the current level or higher.

Japan is required to promote measures to prop up domestic demand and increase opportunities for investments in the domestic market as well as increase imports in order to narrow the trade gap and forestall rising protectionist movements.

Trends in Production
(1st qr of 1983=100; seas. adj.)



Note: As for the third quarter of 1985, September production prediction index for the manufacturing industry is used for mining manufacturing production; average of July and August for others.

Source: Ministry of International Trade and Industry.

(Table 1) Gross National Expenditures
(Per cent change from previous half-year period)

	1983		1984		1985
	1st half	2nd half	1st half	2nd half	1st half
Gross national expenditures (GNP)	+ 1.2	+ 2.5	+ 3.0	+ 2.8	+ 2.4
Domestic demand	+ 0.3	+ 1.8	+ 1.9	+ 2.4	+ 1.4
Personal sector	+ 0.7	+ 1.2	+ 1.3	+ 1.1	+ 1.6
Personal consumption	+ 1.5	+ 1.5	+ 1.5	+ 1.1	+ 1.5
Private corporate sector	— 1.5	+ 4.9	+ 5.5	+ 6.7	+ 5.3
Private plant and equipment investments	+ 0.4	+ 4.5	+ 5.6	+ 5.8	+ 5.0
Governmental sector	+ 0.9	+ 0.8	+ 0.2	+ 1.8	— 3.4
Surplus of the nation on current account	+15.2	+12.3	+16.9	+ 7.2	+12.1
Exports etc.	+ 0.5	+ 8.1	+ 9.9	+ 6.8	+ 3.8
Imports etc.	— 6.0	+ 5.9	+ 5.9	+ 6.5	— 1.4

Source: Economic Planning Agency's National Income Statistics (preliminary).

The next DKB monthly report will appear Dec. 24.

INTL. COMPANIES & FINANCE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Sumitomo Rlty & Dev. ¶‡	100	1990	5	5½	100	Daiwa Europe	5.500
SBC Fin. ¶‡	100	1992	7	5½	100	SBCI	5.500
Crédit National (h)(k)†‡	150	1995	10	35bp	100	Salomon Brothers	—
ECSC**‡	50	1988	4	9	99¾	Deutsche Bk Cap. Mkts	9.104
BHP Finance ‡	150	1992	7	10	100	Deutsche Bk Cap. Mkts	10.000
Bank of N. York (c)†‡	200	1997	12	3/16	100	Goldman Sachs	—
Comalco Finance †‡	100	1993	8	(d)	100	CSFB	—
Santa Barbara S&L (e)†‡	250	1995	10	⅛	100	Merrill Lynch	—
Toray Industries ¶	75	1990	5	5½	*	Nomura Int.	*
Gunze ¶	25	1990	5	(5¾)	100	Nikko Secs. (Europe)	*
Spain (f)†‡	100	2000	15	5bp	100.05	Merrill Lynch	—
Eksportfinans ‡	100	1996	8	10	100½	Merrill Lynch	9.919
Nippon Tel. & Tel. ‡	100	1995	10	9½	100⅝	Salomon Brothers	9.391
Procter & Gamble Ø‡	150	1992	7	9⅝	101⅞	Morgan Stanley	9.400
New Zealand (h)‡	200	2005	20	10⅝	99.06	First Boston Corp.	11.029
Hewlett-Packard Fin. ‡	150	1991	5	0	64¾	CSFB	9.062
General Elec. Credit Ø‡	250	1992	7	9½	100	UBS (Secs)	9.500
Sumitomo Chemical ‡	75	1995	10	10	101½	Daiwa Europe	9.758
Nat. Bk of Detroit (j)†‡	100	2005	20	⅛	100	Salomon Brothers	—
Sparbankernas Bk (l)†‡	100	1991	5	10bp	100	CCF	—
Neptune Orient Lines (m)†‡	75	1992	7	5/16	100	CSFB (Asia)	—
Freddie Mac ‡	100	1995	5 max	10	101.45	Salomon Brothers	10.007
Freddie Mac ‡	250	1998	11½max	10⅛	102	Nikko Secs.	10.201
D-MARKS							
ECSC ‡	100	1997	10½	6¾	100	Deutsche Bank	6.675
Pillsbury Co. ‡	175	1992	7	6⅝	99½	Deutsche Bank	6.717
Kaufhof Finance ¶‡	150	1995	10	3½	100	Commerzbank	3.500
Minolta Camera §	150	1994	8¼	(2½)	(100)	WestLB	*
SWISS FRANCS							
Nippon Kayaku Co. **¶‡	50	1990	—	2⅞	100	Crédit Suisse	2.875
Sumitomo Rlty & Dev. **§‡	350	1991	—	2	100	Crédit Suisse	2.000
Shikoku Elec. Power ‡	100	1995	—	5½	100	UBS	5.500
Kuraray Co. **¶‡	50	1990	—	(2⅞)	100	Crédit Suisse	*
Kuraray Co. **§‡	70	1991	—	(2)	100	Crédit Suisse	*
Australia **‡	300	1996	—	5⅛	100	SBC	5.125
Chrysler Fin. ‡	160	1996	—	5¾	100	Mgn. Guaranty (Switz)	5.750
SAS (g)‡	200	—	—	5¾	100	Citicorp Bk (Switz)	5.750
People Express §	150 max	1996	—	(5½)	100	Bqe Paribas (Suisse)	*
OKB ‡	150	1998	—	5⅜	100	SBC	5.375
Kroger Inc. **‡	80	1992	—	6	100	Chemical Bk (Suisse)	6.000
Small Bus. Fin. Japan	100	1995	—	5⅝	100	UBS	
Mitsui Mining Co. **¶	60	1990	—	(3)	*	UBS	*
L.S.I. Logic Corp. **§‡	40	1990	—	3¾	100	SBC	3.750
[illegible] Int. ‡	65	1994	—	5½	100	Bqe Paribas (Suisse)	5.500
[illegible] Int. ‡	65	1996	—	5⅝	100	Bqe Paribas (Suisse)	5.625
ECUs							
Ford Cr. Canada ‡	45	1993	8	8⅞	100⅜	Banque Paribas	8.808
STERLING							
Prudential Corp. (a)†‡	100	1995	10	10bp	100	CSFB	—
Woolwich Equitable (b)†‡	200	1995	10	⅛	100	Hambros Bank	—
FRENCH FRANCS							
Unilever France ‡	250	1992	7	10⅜	100	BNP	10.375
LUXEMBOURG FRANCS							
FGH Mortgage Bank **‡	300	1988	3	9	100½	Kredietbank Int.	8.803
Kone Corp. **‡	300	1990	5	9⅛	100	Bqe Paribas (Lux.)	9.125
DANISH KRONER							
Sydkraft ‡	300	1992	7	9⅞	99½	Enskilda Secs.	9.978
GUILDERS							
Australia	400	2001	10½	7¼	*	Amro	*
LIRE							
EIB ‡	150bn	1992	7	13	100	Banca Comm. Italiana	13.000
YEN							
Finnish Exp. Credit ‖‡	20bn	1995	10	8¼	101¼	Nomura Int.	8.063
Oil & Nat. Gas (India) **‡	10bn	1992	7	7	100	Mitsubishi Tr. & B.	7.000

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. Ø With bond warrants. ‖ Dual currency. (a) 10bp over 3m Libor. (b) ⅛ over 3m Libor. (c) 3/16 over 3m Libid, additional $75m tap. (d) Equal to 3m Libor. (e) ⅛ over 3m Libor. (f) 5bp over 6m Libor. (g) Coupon refixed every 10 yrs. (h) Registered with US S.E.C. (j) ⅛ over 3m Libid. (k) 35bp over 91-day US T-Bill CD equiv. (ECU currency option). (l) 10bp over 6m Libor. (m) 5/16 over 3m Libor, max. coupon 13⅝ first 5 yrs.

Note: Yields are calculated on AIBD basis.

Thames Water

UNAUDITED STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30th SEPTEMBER, 1985.

	6 months to 30th September		12 months to 31st March	
	1985 £M	1984 £M	*1986 £M	1985 £M
Turnover	244.8	223.9	497.9	455.4
Trading Profit	91.7	72.0	182.4	144.8
Interest	(18.9)	(20.6)	(35.2)	(40.0)
Profit after interest	72.8	51.4	147.2	104.8

NOTES

1. This unaudited statement has been prepared under the same accounting policies used in the statutory accounts for the 12 months ended on 31st March, 1985.

2. Trading profit is stated after charging depreciation on the basis of historical costs.

3. Thames Water is not liable for corporation tax.

4. The 12 months figures to 31st March, 1986 are forecasts based on expectations in November, 1985.*

STATEMENT BY THE CHAIRMAN, ROY WATTS, C.B.E.

Commenting on the results, Roy Watts, Chairman of Thames Water Authority said, "We have exceeded the first half's profit target through a combination of increased efficiency, improved income collection and success in gaining overseas business. Prospects for the second half are equally as good, notably in the export field.

"Between September, 1984 and September, 1985, we repaid £50 million of our outstanding loans, so we are on track to meet all our financial targets for the current year."

Thames Water

RUNNING WATER FOR YOU

Thames Water, Nugent House, Vastern Road, Reading RG1 8DB.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Long bond yield breaks the 10% barrier

US BOND prices rallied strongly early last week sending the Treasury long bond yield plunging into single digits for the first time in more than five years.

Towards the end of the week the markets gave up part of their price gains, and the old 30-year long bond yield edged back up through the 10 per cent level to close at 10.01 per cent late on Friday. Yet underlying market sentiment remains bullish. The rally last week came despite a flood of new Treasury and corporate paper and was fuelled mainly by four key factors.

First, renewed speculation about an early cut in the Fed discount rate, currently 7.5 per cent; second, further signs of economic weakness despite the upward revision in real third-quarter GNP; third, continuing hopes that Congress will get its act together enough to pass a budget deficit reduction or balanced budget package before year-end; and finally, a recognition that portfolio managers are flush with funds

Following a well-trodden path, the market rallied into the long delayed Treasury refunding — auctions which, together with note sales dupmed a total of $32bn in new issues into the market's lap. With bond yields on the slide, corporate treasurers joined in the action, bringing a further $2.5bn in new issues to market.

The auctions went well with the new paper snapped up by investors, reflecting the pent-up supply shortage caused by the delay in passing the debt ceiling increase and an apparent concern that the recent rally could spell the end of double-digit yields.

The three-year note auction on Tuesday brought investors an average rate of 8.74 per cent; Wednesday's two-year notes sold at an average yield of 8.58 per cent; the ten-year notes produced a yield of 9.54 per cent; and the Friday auction of $6.75bn of new 9⅞ per cent 30-year Treasury long bonds sold at an average price of 99.46, producing an effective yield of 9.93 per cent.

The yield on the new Treasury long bond was the lowest since August 1979, when a similar issue carrying a 9⅛ per cent coupon yielded investors 8.91 per cent. In when-issued trading late on Friday, the new long bond was priced to yield 9.95 per cent.

Long bond yields first moved through the 10 per cent level almost exactly six years ago when the Federal Reserve slammed on the monetary brakes in an effort to curb inflation. Long yields dipped briefly below the 10 per cent mark again in mid-1980, before soaring to over 14.5 per cent in 1981.

The crucial question now facing the US markets is whether the extended rally will continue to reduce historically still high real rates — or whether busting the 10 per cent barrier will prove a temporary abberation.

For the moment at least, the bulls appear to have the upper hand. Progress on balanced budget moves in Congress still appears painfully slow, and is now certain to drag on past the Thanksgiving holiday which will close the markets next Thursday. Yet the market believes that some form of deficit reduction package will eventually emerge.

Continued economic sluggishness, low inflation and reduced concern about M1's above target growth are all helping to fuel speculation that the Fed may ease its monetary policy and perhaps cut discount rate by the year end or in late January, when the preliminary fourth-quarter GNP figures are released.

Reading the money market tea-leaves has been difficult recently because of special factors which has distorted the Federal Funds rate—which swung wildly last week—and the weekly banking figures. However it is difficult to find anyone on Wall Street these days predicting higher US interest rates and, for the most part, it is a question of predicting when the Fed might ease rather than whether.

What is unmistakable, however, is the dramatic 100 basis point flattening in the Treasury yield curve since early October, almost all of which has occurred between three months and seven years. As Salomon Brothers notes, during this period pressures on the funds rate have helped boost bill rates while long yields have rallied sharply, spurred in part by the temporary lack of new supply.

Last week the Treasury yield curve continued to narrow with government bond prices closing with gains of between ⅛ and 1⅜ points. Short-term rates fell by between 9 and 30 basis points with the six-month bill rate falling seven basis points to 7.29 per cent.

In the corporate market bond prices rose by between ¼ and ⅞ points and new issue yields fell by as much as 25 basis points. The flood of new corporate issues included a $400m offering of three-year 9.8 per cent notes priced at par from Chrysler Finance and a $250m issue of 30-year 11⅞ bonds also priced at par from Monsanto.

Paul Taylor

U.S. MONEY MARKET RATES (%)

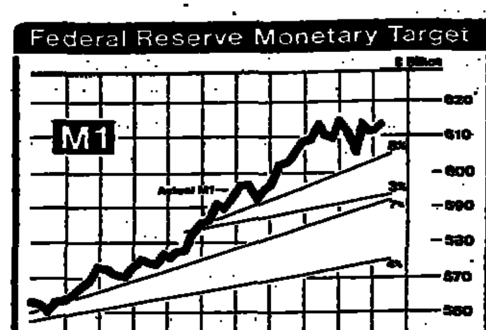
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.68	8.13	8.21	8.86	7.10
Three-month Treasury bills	7.22	7.35	7.23	8.76	6.67
Six-month Treasury bills	7.29	7.36	7.42	9.20	6.81
Three-month prime CDs	7.90	8.00	7.96	9.40	7.33
30-day Commercial Paper	7.75	8.00	7.85	8.95	6.95
90-day Commercial Paper	7.70	7.88	7.80	9.20	7.00

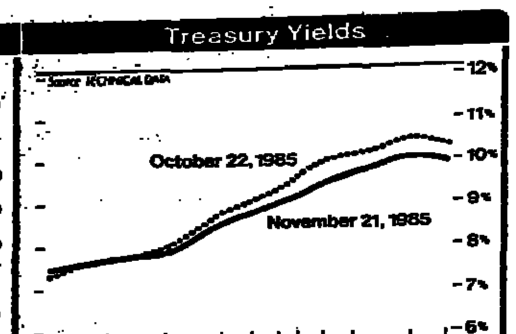
U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101⅛	+ ⅜	9.53	9.68	(new)
20-year Treasury	104⅜	+ 1	10.18	10.30	10.62
30-year Treasury	105⅜	+ 1⅛	10.01	10.14	10.46
New 10-year "A" Financial	N/A	+ 1⅛	10.40	10.63	10.88
New "AA" Long utility	N/A	+ 1⅛	11.10	11.25	11.50
New "AA" Long industrial	N/A	+ 1⅛	11.00	11.13	11.45

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 11 M1 rose by $1.5bn to $613.8bn.





UK GILTS

Sales by Government Broker limit rally

THOUGH the gilt market has recently been very much the poor relation of the booming London equity market, it began to sense last week that price falls over the previous month had produced yields meriting some buying interest.

On most measures, equities loked very expensive relative to gilts, especially to index-linked. "One would think that institutional investors would be queuing up to buy real yields of around 3½ per cent guaranted for the next 35 years," commented stockbrokers Buckmaster & Moore.

The fall in long gilt prices had pushed their yield above that on long US Treasuries. And against this background, prices did regain some ground, with the long end putting on about 1½ points on the week, under the strong influence of the US bond market and with help from the firmness of the pound and buoyant spot oil prices.

One significant factor, however, stood in the way of a more substantial rally, which might otherwise seem on the cards, given institutional liquidity and optimism on inflation: the apparent enthusiasm of the Government Broker to sell debt.

On Monday, the Broker cut the price of a "tablet" to exhaust it and some paper was also believed to have been supplied "unofficially" to the market later in the week. In each of the two previous weeks, gentle upswings in prices had been stifled by similar moves.

The market has found it difficult to square the authorities' bargain basement activities with their policy, stated clearly by the Chancellor of the Exchequer in his October Mansion House speech, exactly to fund the Public Sector Borrowing Requirement with gilt sales. If this is the case, say the anxious, why the hurry to sell debt? Will the PSBR seriously overshoot its £8bn official projection, as some analysts predict?

Such concerns have no doubt been seriously overdone—the official funding policy is simply to match the PSBR over the course of the full year—but the Broker has scarcely helped to allay them.

The waters were muddied further on Friday with the announcement of a £1bn convertible tap, though its part-payment, with 40 per cent due Thursday and the remainder in January, hardly supports the argument that the Government is rushing to raise funds.

That the new stock has an initial four-year maturity encouraged the long end simply because there was no additional supply pressure there. Its pricing, and the fact that it is short-dated, led some analysts to see an optimistic signal about official interest rate assumptions—though the authorities consistently say no such signals should be detected.

The interesting feature of the issue, and one which should give it a fillip, is the investors' option to choose between two stocks, a medium and a long, on conversion. Until now, conversion stocks have given the choice of only one issue.

Pricing the new instrument is more complex, but the wider choice it offers may be particularly attractive given the uncertain outlook for the relative performance of the medium- and long-term sectors.

The market, in any case, welcomes having a variety of Government paper in circulation.

Despite its size, the new tap probably does not add to the market's concerns about the Government Broker's activities. These may, in any case, be explained simply by an official desire to get a batch of gilt funding out of the way before next month's issue of shares in Cable and Wireless, expected to raise £1bn or more.

Stockbroker Greenwell calculates that, if the PSBR outturn is £9bn, net gilt sales over the next four months need average only £200m per month, compared with an estimated £350m in the last eight months and an average £800m in the last two years.

Few analysts believe the £8bn official target will be met, even though October figures published last week were much better than expected. But Greenwell's figures show that an £8bn PSBR would mean not net sales of gilts, but net redemptions over the rest of the fiscal year.

Alexander Nicoll

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	108⅝	+0⅛	10.52
AIDC 11 89	75	103½	+0⅛	9.64
AIDC 11⅞ 90	100	101½	+0⅛	11.37
Amer Savings 12 89	125	103⅜	+0⅛	10.61
Amer Savings 12¼ 89	100	104¼	+0⅛	10.87
Asian Dev Bk 11⅜ 93	100	107	+1	10.41
Australia 11¼ 90	100	107⅜	+0½	9.21
Australia 11½ 95	300	108⅜	+1⅛	10.06
Australia 11⅝ 98	100	111	+1½	10.06
Austria 15½ 88	75	111⅞	+0¼	9.48
Avco Fin 13¼ 91	100	107¼	−0⅛	11.50
Bk Nova Scotia 13⅜ 87	100	106⅛	+0⅛	9.27
Bank of Tokyo 12⅛ 92	100	107⅜	+0⅛	10.61
Bank of Tokyo 13⅛ 91	100	114¼	+1	10.13
Bank of Tokyo 13⅞ 89	100	112⅜	+0⅜	9.71
Bergen Bank 11½ 90	75	102	+0⅜	10.86
BP Capital 11⅛ 92	150	105	+0½	9.99
Br Col Hydro 11⅝ 93	200	109	+1⅛	10.04
Br Col Hydro 12½ 14	200	113⅛	+1	11.25
Br Col Hydro 12½ 13	250	113⅝	+1⅝	11.25
Britoil Fin 11⅞ 90	125	105¼	+0¼	10.44
Caisse Nat En 11⅜ 95	125	107⅞	+0½	10.41
Canada 10⅞ 88	500	104⅞	+0½	8.90
Casio Computer 5⅞ 89	80	133⅜	0	−3.54
CBS Inc 11⅜ 92	100	102⅞	−0⅛	10.77
Centrust S & L 0 10	1bn	7⅛	+0¼	11.52
Cheesebrough 12 93	100	103⅛	+0⅛	11.32
Chrysler Fin 13½ 89	150	107⅞	+0⅛	11.85
Citicorp O/S 10⅜ 90	100	101½	+0½	9.91
Citicorp O/S 11¼ 90	100	104	+0¼	10.63
Citicorp 11⅜ 92	100	104⅛	+0½	10.64
Citicorp 11⅜ 97	200	102⅞	−0⅛	11.27
Citicorp O/S 14 94	100	103½	−0⅛	13.31
CNCA 11½ 92	125	105⅞	+0½	10.31
CNCA 13¼ 91	100	112⅜	+0⅞	10.09
Coastfed Int 12¼ 88	125	104⅛	−0⅛	10.21
Coca-Cola 11⅛ 88	100	106⅛	+0⅛	8.97
Comp Bancaire 13⅞ 90	75	112¼	+0⅛	10.31
Comsat Int 12⅞ 91	100	104½	0	11.07
Creditanstalt 13⅛ 91	100	111	+0½	10.36
Daiichi Kangyo 12⅛ 90	100	108⅝	+1⅛	9.93
Denmark 10⅞ 90	100	101⅞	+1	10.28
Denmark 11½ 92	100	105⅜	+0⅞	10.20
Denmark 12⅝ 92	250	101⅜	+0⅛	12.30
Denmark 13 92	100	104⅞	+1⅝	11.99
Denmark 13⅛ 91	100	112⅞	+0¼	10.31
Denmark 13⅞ 88	100	110⅞	+1⅛	9.14
Denmark 14 91	100	110	+0⅛	11.46
Digital Equip 11⅜ 89	150	105¼	+0⅛	9.60
Dutch St Mines 11⅜ 91	150	103⅜	+0⅞	10.39
Eksportfinans 11¼ 92	100	105⅛	+0⅞	10.04
Eksportfinans 11½ 90	100	105½	+0⅜	10.03
Elec de France 11⅛ 93	100	106¼	+1	10.06
Elec de France 12⅜ 87	150	106⅛	0	9.13
EEC 11 87	350	103	+0⅛	8.89
EEC 11⅛ 90	100	105	+0⅛	9.60
EEC 12 93	100	110⅜	+1⅞	9.97
Elf-Aquitaine 10⅜ 89	100	102⅛	+0⅛	9.93
Ericsson L M 10⅛ 88	100	101¼	+0⅛	9.68
Euro Inv Bk 11½ 90	200	107⅛	+0⅛	9.65
Euro Inv Bk 11⅝ 91	73	104	+0½	10.56
Euro Inv Bk 12½ 90	100	109⅞	+0⅞	9.82
EDC 9⅞ 88	200	101⅞	+0½	9.22
EDC 10 88	125	101⅜	+0½	9.08
EDC 10⅜ 88	100	103⅛	+0½	8.92
EDC 11⅜ 89	450	104⅛	+0½	9.32
EDC 12 89	100	107¼	+0½	9.54
EDC 13⅜ 87	100	107⅛	+0⅛	8.88
Fed Dept Store 11 90	100	104¼	+0½	9.69
Finland 11½ 88	100	104⅛	+0⅜	9.14
Finland 12⅛ 94	75	110⅜	+1⅛	10.39
Finnish Export 12⅜ 87	75	106⅜	+0½	9.01
Firstfed Mich 1 13¼ 89	125	106⅞	−0⅛	10.97
Florida Fed 12⅞ 89	100	104	0	10.88
FNMA 11½ 91	300	103⅞	+0⅜	10.59
Gen Elec Cred 0 96	600	38	+1¼	9.53
Gen Elec Cred 9⅜ 91	100	100⅞	+0⅛	9.62
Gen Elec Cred 10⅜ 90	200	102⅛	+0⅛	10.04
Gen Elec Cred 11 91	200	104½	+0⅛	9.94
Gen Elec Cred 11½ 87	200	104⅛	+0⅛	10.91
Gen Elec Cred 12 94	200	107⅞	+0⅛	10.60
Gen Foods Cap 11½ 90	75	105½	+0¼	9.98
General Mills 12 91	100	106⅛	+0½	10.57
GMAC 10 88	200	101⅜	+0⅜	9.13
Gen Motors Acc 10½ 90	200	102⅞	+0⅛	9.82
Gen Motors Acc 11⅛ 90	100	104¼	+0⅛	10.07
Gen Motors Acc 13 86	200	102⅛	−1¼	8.60
GTE Finance 12 96	75	102⅞	+1⅛	11.49
Gulf Oil 10¼ 94	100	99	−0⅛	10.42
GZB 14 91	100	113⅜	+1⅞	10.61
Holl Air Fin 12⅛ 91	100	104⅞	+0⅜	10.98
Household Fin 11½ 92	100	104½	−0⅛	10.66
IBM 9⅜ 88	200	101	+0⅛	9.48
IBM (WTC) 10⅜ 89	300	102½	+1⅛	10.03
IBM Credit 11 89	100	104⅛	+0⅛	9.71
IBM Credit 13⅞ 87	100	101⅞	0	13.44
IBM 12⅜ 92	200	109⅞	+0⅛	10.17
Ind Bk Japan 10⅜ 92	100	102⅝	+0⅜	10.14
Ind Bk Japan 10⅞ 95	100	102⅞	+0⅝	10.36
Ind Bk Japan 11½ 89	125	105⅜	+0⅜	9.48
Ind Bk Japan 11⅞ 91	100	108⅞	+0¼	9.83
Ind Bk Japan 13⅞ 91	125	108	−3⅛	11.80
Int-Amer Dev 12⅜ 91	150	111⅛	+1	10.11
Int-Amer Dev 11⅝ 94	200	108⅞	+1½	10.36
Int Paper 12 91	175	104½	+0⅛	10.81
Int Stand Elec 0 97	112	28⅜	+0⅛	11.86
Int Stand Elec 12 96	75	103¼	+0⅞	11.24
ITT 11½ 89	125	105½	+0½	9.78
ITT Fin 12⅜ 94	100	107½	+0⅛	11.02
Japan Airlines 12½ 94	70	111⅛	+1½	10.40
Japan Dev Bk 11⅞ 91	100	107⅞	0	10.16
Kellogg Co 10⅞ 90	100	103½	+0⅛	9.79
Kellogg Co 11⅜ 92	100	105⅝	+0⅛	10.06
Kimberley-Clark 12 94	100	110⅛	+0⅜	10.23
Kyowa Fin HK 12⅞ 90	100	109⅝	+0⅛	10.06
Long Term Cred 10⅜ 90	100	103⅛	+0⅛	9.83
Long Term Cred 11 90	100	104	+0⅞	9.79
Long Term Cred 11⅞ 89	100	106	+0½	9.66
Long Term Cred 12 90	75	106⅜	+0¼	10.01
Long Term Cred 12 93	100	109½	+0⅞	10.21
Macy R H 11⅜ 91	100	102⅜	+0⅛	11.78
Macy R H 11⅜ 95	100	101⅞	+0⅛	11.48
Marubeni 11⅜ 91	100	103	0	10.67
McDonalds Fin 11⅜ 94	75	104⅞	+0⅛	10.73
Merrill Lynch 12½ 94	100	104	+0½	11.75
Minebea 6⅜ 89	100	147½	−2½	−6.37
Mitsubishi 5⅜ 88	100	129	0	−3.30
Mitsubishi Co 10⅜ 92	100	102⅛	+1½	9.95
Mitsubishi Cp 10⅜ 95	200	101⅛	+0⅛	10.41
Mitsubishi Cp 12½ 91	100	111⅛	+1⅛	9.74
Mitsui Eng 7⅛ 88	50	102½	+0⅛	6.28
Mitsui Fin 12⅛ 92	100	101	−0⅛	11.98
Mitsui Tst Fin 12 91	100	108⅝	+0⅞	9.79
Mobil Corp 10⅛ 90	200	101	0	9.93
Montreal City 12½ 91	70	107⅞	+0⅞	10.46
Mgn Guaranty 12⅜ 89	150	107½	+0⅜	9.57
Morgan J P 11⅜ 92	100	104⅝	+0⅜	10.19
Mount Isa Fin 13⅜ 87	100	106⅞	+0⅛	9.40
Ned Gasunie 11⅜ 90	75	105⅜	+1½	9.75
Ned Gasunie 11⅛ 91	75	105⅜	+1	9.81
N Eng Lf Mtg 11⅜ 95	149	106½	+0⅛	10.59
Newfoundland 13 91	75	108⅜	+0⅛	10.63
Nippon Crd Bk 13⅞ 89	100	111½	+0½	9.94
Nippon Tel Tel 11⅜ 90	100	106⅜	+0⅛	9.34
Nippon Tel Tel 13 11/16 94	150	113	0	10.57
Nissho-Iwai 6½ 89	70	103½	0	5.28
Nomura 6⅜ 88	100	150½	+5⅛	−8.14
Nova Scotia 11⅛ 91	100	104⅞	+0⅛	10.66
Nova Scotia 11⅜ 98	100	105⅛	+1⅛	10.85
Oester Post 12⅜ 89	75	108½	0	9.86
Ohbayashi-Gumi 7⅜ 89	50	133½	−21½	−1.76
Ontario Hydro 11⅝ 94	200	108⅞	+1¼	9.97
Ontario Hydro 11⅜ 90	200	107⅞	+0⅛	9.63
Ontario 12½ 94	250	113⅜	+0⅞	10.34
Pacific Gas & El 12 00	75	105⅛	+0⅛	11.25
Penney J C 11⅞ 90	100	104⅞	+0½	10.54
Penney J C 12⅜ 91	100	108⅛	+0⅛	10.73
Phillips Petrol 14 89	200	103⅛	−0⅛	12.74
Postipankki 11½ 90	75	103⅛	+0½	10.09
Post-Och Kred 13½ 87	50	106⅛	+0⅛	9.26
Privatbanken 12⅜ 95	100	99	0	12.92
Prudential Ins 12⅜ 87	150	106⅛	+0⅛	9.06
Pru Rlty Secs 0 99	365	28⅜	+1½	10.09
Pru Rlty Secs 11⅞ 92	388	106	+0½	10.01
Pru Rlty Secs 12⅜ 95	648	108⅛	+0⅜	10.56
Quebec Prov 12⅜ 94	150	108⅛	+1⅛	10.58
Queensland Gvt 11⅜ 88	100	106⅛	+1⅛	9.48
RBC 12⅜ 90	100	102	0	12.08
Rural Bk Aust 12 91	50	104½	+0⅛	10.74
Sanwa Bank 11⅞ 92	150	106⅜	+0⅞	10.15
Saskatchewan 10⅝ 92	100	104⅛	+0⅜	9.82
Saskatchewan 10⅝ 90	125	104¼	+0½	9.47
Saskatchewan 11⅞ 89	100	107⅜	+1	9.48
Saskatchewan 15 92	150	121⅛	+0⅛	10.40
Saskatchewan 16 89	125	116½	+0⅛	9.86
Scot Intl Fin 14¼ 95	50	113½	+0⅜	11.90
Sears O/S Fin 0 98	500	28⅞	+1⅛	10.33
Sears Roebuck 10½ 91	150	103⅛	+0⅛	9.71
Sears Roebuck 11⅜ 91	150	107⅛	+0⅜	9.79
Sec Pacific 12 92	100	108⅜	+1⅛	10.11
Searson/Amex 12⅜ 94	100	105⅜	+1½	11.08
Shell (Canada) 14⅜ 92	125	113½	+0⅜	11.28
Signal Comps 11⅜ 92	125	105⅜	+0⅞	10.51
Standard Oil 10½ 89	150	101½	+0⅛	9.90
Statoil 12 88	100	106⅛	+0½	8.99
Sumitomo Corp 10⅜ 92	100	100⅜	0	10.57
Sumitomo Fin 11⅜ 92	150	106⅜	+1⅛	10.22
Sumitomo Fin 12⅜ 91	150	110½	+1⅞	10.11
Sumitomo Trust 12½ 92	100	107½	0	10.76
Sweden 11½ 89	200	106⅛	+0⅜	9.60
Sweden 12⅜ 89	200	107⅛	+0⅜	9.57
Swedish Export 10⅜ 88	100	103⅛	+0½	10.15
Swedish Export 11½ 89	100	104⅞	+0⅛	9.62
Swedish Export 12⅜ 89	100	0		
Taiyo Kobe 11⅞ 90	100	105½	+0⅛	10.23
Taiyo Kobe 12 90	100	107¼	+0⅜	10.09
Tenneco Corp 11½ 89	150	104⅜	+0⅛	9.70
Texaco Capital 10½ 90	200	100⅛	−1	10.46
Texaco Capital 10½ 93	200	100⅜	−0⅛	10.38
Texaco Capital 13½ 89	200	107⅛	−1⅛	10.92
Texas Instru 11⅞ 91	150	104⅞	+0⅛	10.60
Tokai Asia 12⅜ 91	100	108⅞	+0½	9.96
Tokyo Electric 6½ 89	70	100½	0	6.31
Tokyo Elec Pr 13⅜ 89	100	109	+0⅛	10.28
Toray Inds 11⅛ 92	50	101	0	10.88
Toronto-Dom 12⅜ 89	50	106½	+0⅛	10.23
UBS 12⅞ 91	100	106⅛	+0⅛	10.66
Utd Tech 11⅛ 92	150	104⅜	+0½	10.19
Veba 8 93	70	183½	+4½	−1.61
West LB 11⅞ 90	100	105⅛	+0⅛	10.45
Westpac 12⅝ 92	41	108	0	10.79
Weyerhaeuser 11½ 90	60	103⅛	+0⅞	10.66
World Bank 11 92	300	105⅛	+1½	9.78
World Bank 11⅛ 90	200	106⅛	+0⅜	9.58
World Bank 11⅜ 89	200	105⅛	+0½	9.41
World Bank 12 93	200	110⅜	+2	9.94
World Bank 12⅜ 94	150	111⅞	+1⅛	10.17
World Bank 12⅞ 94	200	114½	+1½	10.27
Yasuda Trust 12⅛ 89	100	107	+0½	9.80

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100⅛	0	8⅝
Arab Bank Corp ⅛ 96	100	100⅛	−1⅛	8 11/16
Banca Lavoro ⅛ 91	100	100	−0⅛	8 7/16
Banco di Roma 1/16 89	150	99⅞	0	7 13/16
Bncd di Roma 1/16 92 CU	75	99⅜	0	10 5/16
Bankers Tr NY ⅛ 94	200	100⅛	0	8 5/16
Bank of Greece ⅛ 94	150	98⅛	−0⅛	8⅛
Bank-Montreal ⅛ 94	100	100⅜	+0⅛	11⅛
Bqe Nat Paris ⅛ 88	400	100⅞	−0⅛	8½
Bqe Nat Paris ⅛ 96	250	100	0	8⅛
Barclays O/S ⅛†	600	100½	0	8⅛
[illegible]	100	100⅛	0	8⅛
[illegible]	100	100⅛	0	8 7/16
BCI ⅛ 96	300	100	0	9⅞
BFCE ⅛ 88	500	100	0	8¼
BFCE ⅛ 99	600	100⅛	0	8¼
Belgium 1/16 04	400	100⅞	−0⅛	8¼
CCCE ⅛ 05	200	100⅛	0	8⅛
CEPME ⅛ 96 £	100	100⅛	−0⅛	11 7/16
Chase Manhattan ⅛ 09	400	100	0	8 7/16
Chemical NY 1/16 99	300	100⅛	−0⅛	7 13/16
Citicorp O/S ⅛ 91 £	100	99½	0	11 7/16
Citicorp Pan Pan ⅛ 97	250	100⅛	−0⅛	8⅛
Commerzbank ⅛ 89	150	100⅛	+0⅛	8⅛
Creditanstalt 1/16 96	150	100⅛	0	8⅛
Credit Comm ⅛ 95	100	100⅛	−0⅛	8⅜
Credit Foncier ⅛ 00 £	100	100⅛	0	11⅛
Credit Lyonnais ⅛ 96	300	100⅛	0	8 7/16
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅛
Credit National ⅛ 95 £	100	100⅛	−0⅛	11 11/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8¼
Denmark ⅛ 90	250	100	0	8 5/16
Denmark 0 99	200	99⅞	0	8½
Denmark ⅛ 90	500	100⅛	0	8 5/16
Dresdner Bank 0 89	350	100	0	8 5/16
Eldorado Nuke 0 89	100	100	+0⅛	8⅛
Elec de France ⅛ 99	400	101	0	8 7/16
ENEL ⅛ 93 £	100	99⅞	−0⅛	11½
Exterior Int ⅛ 96	125	99⅛	−0⅛	7⅞
Ferro del Stat ⅛ 88	100	100⅛	0	8½
Ferro del Stat ⅛ 99	250	100	−0⅛	8 5/16
Fiat Finance ⅛ 94	100	100⅛	+0⅛	8⅛
First Chicago ⅛ 94	100	100	+0⅛	8 5/16
First Chicago 1/16 97	160	99⅞	0	8 5/16
Ford Motor Cr ⅛ 91	200	99⅞	−0⅛	8 5/16
GW O/S Fin ⅛ 94	100	99	−0⅛	8⅛
Grindlays ⅛ 94	100	100⅛	0	8⅛
INI 1/16 00	150	100⅛	0	8 9/16
Interfirst Tex ⅛ 89	100	97	−0⅛	8 5/16
Ireland ⅛ 93 £	50	100⅛	0	11⅛
Ireland 1/16 94	300	100⅛	0	8 5/16
Ireland ⅛ 96 £	100	100⅛	0	12⅞
Ireland ⅛ 97	300	100⅛	0	8 7/16
Ireland 1/16 99	300	100⅛	0	8 15/16
Italy ⅛ 94	1bn	100	0	8 5/16
Italy ⅛ 99	500	100⅛	0	8⅛
Kleinwort Benson ⅛ 96	100	100	−0⅛	8½
Korea Exch Bk ⅛ 94 £	100	98⅞	−0⅛	12
Lincoln S & L ⅛ 99	100	99⅛	−0⅛	8⅛
Malaysia ⅛ 93	850	100	−0⅛	8½
Malaysia ⅛ 94	600	99⅞	0	7 13/16
Man Hanover ⅛ 94 £	75	98⅜	0	11⅛
Marine Midland ⅛ 94	125	100	−0⅛	8 7/16
Marine Midland ⅛ 96	125	100	0	8 7/16
Marine Midland 1/16 09	150	100	0	8
Mellon Bank ⅛ 96	250	100⅛	0	8⅛
Midland Intl ⅛ 99	200	100⅛	0	8 7/16
Mitsui Fin ⅛ 96	100	100⅛	0	8 5/16
Morgan Grenfell ⅛ 94	50	99⅜	0	8 5/16
Mtg Bk Denmrk ⅛ 99 £	75	100⅛	0	11 13/16
Mtg Intermed ⅛ 10 £	50	100⅛	0	12
Nat Bank Canada ⅛ 91	50	100⅛	0	8⅛
Natl Bank Detr ⅛ 96	100	99⅜	0	8⅛
Nat West Fin ⅛†	500	100⅞	0	8 5/16
Neste Oy ⅛ 94	100	99⅞	−0⅛	8 5/16
New Zealand ⅛ 87	350	100⅛	0	8½
NZ Steel Corp ⅛ 92	300	100⅛	0	8½
Oster Ln Bank ⅛ 99	100	100⅛	+0⅛	8 7/16
Oko Bank ⅛ 92	50	99⅛	−0⅛	8 13/16
Portugal ⅛ 92	100	100	0	8⅞
Queensland Coal ⅛ 96	355	100⅛	0	8 5/16
Renfe ⅛ 91	100	100	−0⅛	8 7/16
Sanwa Intl Fin ⅛ 92	150	100	0	8 5/16
Sanwa Bk ⅛ 04	150	100⅛	0	8⅛
SEAT ⅛ 93	100	99⅜	−0½	8⅛
Security Pac 1/16 97	250	99⅜	−0½	8 5/16
Skopbank ⅛ 94	75	99⅜	0	8⅛
SNCF ⅛ 93 £	75	100⅛	−0⅛	11⅞
Soc Generale ⅛ 90	250	100⅛	−0⅛	8½
Soc Generale ⅛ 94	250	100⅛	0	8 11/16
Spain ⅛ 88	200	100⅛	0	8 9/16
Spain ⅛ 97	250	100⅛	0	8⅛
Standard Chart ⅛ 94	200	100⅛	0	8⅛
Sumitomo Trust ⅛ 94	100	100⅛	−0⅛	8⅛
Sweden ⅛ 99	500	99½	0	8½
Sweden 0 90	700	9½	0	7 13/16
Sweden ⅛ 24	500	100⅛	0	8 7/16
Sweden ⅛†	750	100	0	8 5/16
Tokai Asia ⅛ 99	150	100⅛	0	8⅛
Toyo Trust Asia ⅛ 99	100	100⅛	+0⅛	8
TVO Power ⅛ 04	100	99⅜	0	8⅛
Union Bank Norw ⅛ 99	50	98⅜	−0⅛	8 5/16
United Kingdom 0 92	2.5bn	99⅞	0	8 5/16
Wells Fargo ⅛ 98	50	99½	−0⅛	8 5/16
World Bank 1/16 94	250	99⅜	+0⅛	7 13/16
Yorkshire Bn ⅛ 94 £	75	100⅛	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	127⅜	+3⅛	
Best Denki 5⅞ 97	15	187⅞	+0⅞	−1.21
Canon 7 97	50	226	+9⅞	−3.92
Daiwa Secs 5½ 98	80	207	−2½	−1.86
Dev Bank Sing 5⅛ 98	70	73	−2	1.07
Elders 11½ 94	180	107	+1⅛	57.30
Elektrowatt 5 98	52	120½	+1⅛	−4.38
Fujitsu 3 99	180	99⅜	+8	2.05
Intec Inc 3 99	50	92⅜	+10	15.55
Kumagi Gumi 3½ 00	80	189⅜	+7½	−0.84
LASMO 9⅛ 99	44	98⅜	+1⅛	13.96
Moet-Hennessy 7 99	50	124⅛	−2⅛	−3.56
Murata Mfg 3½ 00	100	121	+9⅜	1.84
Nippon Oil 3⅛ 99	50	91⅛	+1⅛	1.89
Ono Pharm 3⅛ 98	60	88⅛	−3⅞	−6.67
Soc Gen Surv 4½ 94	51	140½	+2⅛	110.23
Sumitomo Corp 2⅞ 99	70	133⅜	+5⅜	−0.88
Texaco Capital 11⅞ 94	1bn	104⅞	−2⅛	49.29
Texaco Capital 11⅜ 94	500	104⅛	−3⅛	
Tsugami Corp 3⅜ 00	20	83	+1	−1.80
Yamaichi Sec 3⅛ 95	20	167	+3⅛	−1.77

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅜ 94	15	102⅜	+1½	7.00
Avon Products 6⅜ 91	25	99	+1⅛	6.90
Denmark 6⅜ 92	20	99⅞	+1¼	6.92
Dow Chemical 7 94	50	101⅜	+1½	6.81
EDF 6⅞ 95	20	100⅛	+1½	6.86
Eurofima 7⅜ 94	10	102	+1⅛	7.08
Eurofima 6⅞ 92	10	99⅞	+2⅛	6.75
FNMA 6⅞ 92	50	99⅜	+2⅛	6.94
GMAC 6½ 90	25	100⅛	+1⅜	6.46
Intel 6⅞ 92	13	97	+0⅛	7.24
Int-Amer Dev 7½ 94	15	102⅜	+1⅜	7.14
Int-Amer Dev 7⅞ 93	15	102½	+0⅜	7.46
ITT 6⅜ 92	20	99⅜	+1⅛	6.87
McDonald Corp 6½ 92	25	99⅜	+1⅛	6.57
New Zealand 7⅛ 90	15	101⅜	+1⅛	6.76
New Zealand 7⅜ 89	15	102⅜	+0⅜	6.77
Pacific Gas & El 7 94	20	101⅜	+1⅛	6.80
Penny J C 6⅜ 92	28	99⅜	+1⅛	6.87
Procter 6⅛ 92	25	100½	+1⅛	6.52
Sallie Mae 6⅝ 92	25	97⅜	+1⅛	7.08
TRW 7 94	15	100⅛	+1⅛	6.96
Utd Technology 6⅜ 92	25	100⅜	+1½	6.54
World Bank 7 94	20	100½	+1	6.91
World Bank 7⅜ 93	20	103½	+1⅛	7.04
World Bank 8 93	20	105½	+1⅛	7.00

LUXFR STRAIGHTS	Issued	Price	week	Yield
ASEA 9⅜ 89	600	101⅞	−1	9.17
Eurofima 10 94	600	104⅛	+0½	9.22
E Coal & Steel 10½ 94	1bn	106⅞	+1	9.01
Euro Invest Bk 10½ 94	1bn	106⅛	+0⅛	9.35
World Bank 10⅛ 89	1bn	104	0	8.86

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	105½	+0⅛	6.02
ABN 7⅜ 89	150	105⅜	0	6.10
Amro Bk 7⅛ 89	150	102⅜	−0⅛	6.49
Amro Bk 8 89	200	104½	0	6.47
Bk Mees & Hope 8⅜ 89	100	106⅛	+0⅛	6.07
Beatrice Foods 8⅛ 89	100	106	−0⅛	6.34
C C Rabo 8 89	150	104⅞	−0⅛	6.36
Denmark 8½ 91	100	108⅜	0	6.64
Int Stand Elec 8½ 89	100	106	+0⅛	6.37
New Zealand 8⅜ 89	100	106	0	6.34

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅜ 91	50	108⅜	+0⅞	10.05
Aust Resources 11⅜ 92	50	104⅜	+1⅛	10.61
Bank of Tokyo 10⅞ 92	75	103	+0⅞	10.18
Bqe l'Indosuez 14 91	75	111⅞	+0⅜	11.04
Br Col Munic 12⅜ 91	100	108⅞	+0⅜	10.31
Br Col Munic 13½ 91	100	111⅜	+1⅛	10.61
Br Col Tele 12⅜ 89	70	104½	+0½	11.55
Denmark 11⅝ 91	100	104⅜	+1⅛	10.53
Farm Cred Corp 12⅜ 90	75	106⅞	+0⅜	10.36
Kredietbank 12 92	75	103⅜	+0⅜	11.11
Long Term Cred 11⅜ 90	75	104⅛	+0⅛	10.37
Montreal City 12⅜ 91	60	106⅞	+0⅛	10.49
New Brunswick 12 95	75	107⅛	+1	10.73
Nova Scotia 11⅜ 95	100	105⅜	+1⅛	10.71
Quebec Hydro 14 91	75	108⅛	+0⅜	11.89

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	103⅛	−0⅛	8.81
Australia & NZ 10⅛ 91	50	104⅜	0	9.55
Austria 10⅜ 93	100	107⅜	0	9.12
BFCE 9⅜ 92	75	103⅜	+0⅛	9.00
Cred National 10⅜ 94	50	105⅞	−0⅛	9.38
Cred National 11⅜ 91	50	108⅜	−0⅛	9.18
Denmark 10⅜ 91	75	107	−0⅛	9.00
Ebco Intntl 10⅞ 89	55	104⅛	−0⅛	9.26
EEC 10½ 91	60	104⅜	−0⅛	9.40
EEC 11 93	50	106	−1⅛	9.61
EEC 11⅛ 91	50	104⅞	−1⅛	10.18
EEC 11⅜ 93	70	108⅜	−0⅛	9.42
Euro Coal & Steel 6 94	60	117⅜	−0⅞	9.20
Euro Invest Bk 9⅜ 95	200	101⅜	−0⅛	8.95
Euro Invest Bk 10⅛ 84	100	104⅞	−0⅛	9.24
Euro Invest Bk 10⅜ 89	50	105⅜	−0⅛	8.62
Euro Invest Bk 10⅜ 94	100	106⅞	−0⅛	9.38
Euro Invest Bk 11⅛ 92	75	108⅜	−0⅛	9.34
Euro Invest Bk 11⅛ 93	50	108⅜	−0⅛	9.51
Euro Invest Bk 11⅜ 96	50	112⅜	+0⅛	9.34
Gen Finance 11 90	70	107¼	0	9.07
Giro Vienna 10½ 93	60	107⅜	−0⅛	9.04
GTE Finance 10⅞ 92	50	108⅜	0	9.02
Ireland 10⅜ 95	50	104	−0⅛	9.56
Italian Govt 10½ 92	800	105½	−0½	9.39
Italian Treas 11½ 90	60	108⅜	−0⅛	9.29
Kreditbank L 9⅜ 92	75	101⅛	−0⅛	9.01
Megal Finance 11¼ 94	100	107⅞	+0⅛	9.81
Nippon Cred Bk 11 91	50	106⅜	−0⅛	9.23
Nordic Inv 6 94	50	117⅜	−0⅛	9.10
Post Och Kred 10⅞ 92	50	105	−0⅛	9.76
Royal Bk Can 10½ 89	85	104⅜	−0⅛	8.77
SNCI 10⅞ 94	60	107⅜	−0⅛	9.55
Swedish Export 11 89	58	103⅜	+0⅛	9.76
West LB 10⅞ 91	50	104½	−0⅛	9.71
World Bank 10⅜ 88	100	105	−0⅛	8.66

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	90	−1⅛	16.49
PIBA 12⅞ 89	50	94	−1	14.70
State Bk NSW 12⅞ 89	40	94	0	14.56
Woolworths 14⅜ 88	25	97	−0⅛	15.57

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅜ 91	100	99	+0⅛	10.98
Denmark 10⅜ 89	75	100	+0½	10.70
EEC 11⅜ 94	50	101½	+0⅛	11.07
Europarat 11½ 92	50	101⅛	+0⅛	11.06
Euro Invest Bk 10⅜ 92	75	99⅞	+0⅛	10.93
Finland 11⅞ 88	50	102⅜	0	10.81
Grand Met Fin 10⅞ 90	50	98⅜	+0⅛	11.20
Int-Amer Dev 11½ 91	60	101	+0⅛	11.08
Int Stand Elec 11⅝ 89	50	100	+0⅛	11.10
Inv In Indust 11½ 91	50	102⅜	0	10.94
Ireland 11⅜ 94	50	102	+0⅛	10.97
New Zealand 10⅜ 89	100	99	+0½	10.94
SNCF 11⅜ 94	60	100½	+0½	11.13
World Bank 10⅜ 89	100	100	+0⅛	10.58
World Bank 10⅜ 89	50	9⅜	+1⅛	10.69
World Bank 11 94	50	100	+0⅛	10.99

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	1	0	−37.18
Ciba-Geigy Int £	1/11/93	528⅜	+64⅜	245.03
Credit Suisse	31/5/88	69⅜	+6⅜	5.56
Deutsche Bank DM	18/6/91	121½	0	−36.15
ICI Finance	1/6/90	330	+48⅜	216.35
IC Industries	15/6/88	27	+1	−13.01
Jusco	22/12/88	77½	−8½	6.82
Minebea Co	20/2/89	82½	+0⅜	63.14
Mitsubishi Co	7/11/88	37	+2⅛	28.23
Mitsui	10/12/87	30½	+1⅛	22.78
Nissho Iwai	1/2/89	74⅜	+0⅜	33.49
Nomura	31/10/88	61⅜	−10	1.58
Siemens Wstn DM	31/5/90	340	0	−12.96
Swiss Bank Cpn	20/12/88	105⅜	+11⅛	21.37
Toray Ind	5/3/87	39⅞	+2⅛	14.37
Veba Intnl	15/12/93	57	0	−3.22

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅜ 91	14/2/88	46½	+10⅜	10.16
Coca-Cola 11⅜ 91	28/11/88	61½	+5⅛	11.08
Commerzbk 13⅜ 91	17/7/88	115	+9⅜	10.77
Du Pont 13⅜ 89	25/8/86	82	+4⅜	10.15
Eksportfinas 13⅜ 88	15/9/87	98	+5⅞	10.08
Gen Elec 12⅜ 91	7/8/87	79½	+2⅜	10.78
Ind Bk Jpn 12⅞ 91	5/10/89	98½	+9⅛	10.52
Inv In Ind 10½ 91	1/12/88	85	0	10.11
McDnlds F 11⅜ 94	5/1/89	58½	+2	10.03
Oester Lnbk 13½ 89	9/8/87	96⅜	+14⅛	10.20
Texaco Cap 12⅞ 92	1/9/87	57⅜	−7⅛	11.57
Trnto. Dom 12½ 91	5/4/88	85	+12½	10.50

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
† Perpetual.

Closing prices on November 22.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Olympia and York breaks new ground

A NUMBER of innovations in North American financial markets are helping unlisted, privately-owned companies to raise funds from a widening circle of investors without lifting the veil on their balance sheets or income statements.

Among the most active users of these new financing techniques is Olympia and York, the Toronto-based property developer, which is controlled by the publicity-shy Reichmann family.

O and Y is currently breaking new grounds on two fronts. One is a C$50m (US$36.3m) public bond issue secured by a lease on an 11-storey office building in downtown Ottawa. The second is a preferred share issue due to be launched later this week by a newly-created O and Y subsidiary, O and Y Enterprises. The share offer, likely to be the largest in Canadian history, will mark the first time that an O and Y unit has raised equity from the public.

In both cases, investors will be told virtually nothing about the financial position of the Reichmanns' vast real estate empire, the assets of which — including the showpiece World Financial Centre in Manhattan —are estimated to be worth close to US$10bn.

The 12-year bond offering, underwriten by Wood Gundy, is understood to be the first public financing in North America secured by a single real estate development. Based on the prime location of the building (on Ottawa's main shopping mall), its blue-chip tenants (Canadian government departments) and the project's overall financial strength, two Canadian bond rating agencies have given the company which leases the site a double A rating. O and Y could probably not obtain a much higher rating if it borrowed funds in its own name.

To ensure that the building will have sufficient value to pay off the bond after 12 years, O and Y has also pledged zero-coupon Government of Canada bonds to the company leasing the property. Creditors thus have no recourse to O and Y.

Mr Kenneth Leung, O and Y's senior vice-president for finance and administration, says, "We are sizeable enough that making information available to the public on a segment of our operations enables us to enjoy the kind of financing advantage that public companies have."

O and Y may repeat the exercise soon in the US, where Standard and Poor's pioneered credit ratings on individual property developments about a year ago.

The forthcoming preferred share issue, also lead-managed by Wood Gundy, is expected to total about C$1bn, the largest sum ever offered by a Canadian company to outside investors. The issue may be broken into two equal tranches of C$500m each. O and Y Enterprises' assets total around C$3.5bn. The company was formed last summer after O and Y's purchase of a controlling interest in Gulf Canada from Chevron Corporation of San Francisco. Last week O and Y bought the remainder of Chevron's 60.2 per cent holding. The company now holds the Reichmanns expanding natural resources interests, which also include a majority stake in the Abitibi-Price, the forest products group, and 15 per cent of Hiram Walker Resources, the drinks and energy company.

In addition, the Reichmanns have folded into O and Y Enterprises their substantial minority interests in two leading Canadian property developers, Trizec and Cadillac Fairview, as well as Trilon Financial Corporation.

O and Y has already had access to large pools of outside capital for its US real estate developments by tapping the raipdly growing market in short-term commercial paper. Four O and Y projects have so far been funded in this way including two office buildings in Los Angeles and two-thirds of the two Merrill Lynch towers at the World Financial Centre. Sales of commercial paper raised US$750m towards the US$1.5bn cost of the World Financial Centre. A new O and Y Development on Lexington Avenue in New York will be financed in the same way.

The company is able to raise these funds without disclosing sensitive financial information by issuing notes guaranteed by banks and insurance companies. Mrs Patricia Goldstein, senior vice-president and treasurer, explains that "It's really their credit that's in the market."

In theory, investors need not even know the identity of the ultimate borrower, although Mrs Goldstein says that "The dealers feel it's important to have O and Y's name on the paper." The notes carry maturities of between one day and nine months, with an average of about 30 days. Mrs Goldstein declines to disclose interest charges paid by O and Y beyond saying that "spreads are narrow right now."

While US and Canadian banks have been most active in providing conventional construction loans, O and Y has placed much of the "fronting" business for its commercial paper with foreign banks, especially Japanese institutions. Citibank, Chemical Bank and Bankers Trust are among the most aggressive US banks in seeking this type of business. Among insurance groups, Aetna has set up a financial guarantee unit.

O and Y seldom considers putting together a commercial paper financing for less than US$100m. Mrs Goldstein says that "It's more time consuming than borrowing directly because you have to roll over the commercial paper and keep track of it."

Bernard Simon

Prospects improve for Pan Electric rescue

By Chris Sherwell in Singapore

PROSPECTS IMPROVED at the weekend for a rescue of Pan Electric Industries, the debt-ridden Singapore company, after an all day meeting on Saturday between major bank creditors and key company figures chaired by the Monetary Authority of Singapore, the island state's quasi-central bank.

The 30 banks with loans to Pan Electric will today consider a series of proposals under which Price Waterhouse, the accounting firm, will immediately scrutinise the company's books and a plan will be completed to restructure its finances through a rights issue and conversion of debt into equity.

The whole process could take weeks. In the meantime, the authorities are investigating the company's affairs, and in particular the activities of Mr Peter Tham, a former director who disappeared earlier this year and later resigned.

Even if a rescue goes ahead, the share price of Pan Electric is widely expected to fall, sending further reverberations through the broking and banking community because of additional loans made using the shares as collateral.

Pan Electric shares were suspended last Tuesday after the company failed to meet a S$7.5m debt repayment the previous day. Of its total debts of around S$400m (US$191m) four banks—Standard Chartered, Citibank, Manufacturers Hanover and Paribas —are believed to account for half.

Also suspended were the shares of Growth Industrials Holdings, which has a 31.6 per cent stake in Pan Electric, and Sigma International, which holds 22.6 per cent. Sigma is part of a group of companies controlled by Mr Tan Koon Swan the Malaysian entrepreneur.

The main thrust of the proposed rescue has come from Mr Tan. Pan Electric's troubles have been an embarrassment for him, though they did not prevent him emerging yesterday as the leader of the Malaysian Chinese Association, Malaysia's main Chinese political party.

Two of Florida's biggest banks in merger talks

BY WILLIAM HALL IN NEW YORK

TWO OF Florida's biggest banks, Southeast Banking Corporation and Barnett Banks of Florida, have announced that they are having merger talks which could lead to the creation of the biggest banking group in the sunbelt states, with assets of around $25bn.

Following "unusual stock trading activity," the Miami-based Southeast Banking Corporation issued a brief statement on Friday which confirmed that the two banks, which until now have both stood aside from the wave of interstate mergers, were having talks.

Ahead of the news, Barnett Banks shares were trading at $39½, valuing the group at $1.3bn and Southeast Banking shares were trading at $34⅞, valuing it at $586m. Most Wall Street analysts believe that a Barnett takeover of Southeast would make a lot of sense.

Barnett is a very profitable and well managed group based in Jacksonville while Southeast is less profitable but has a major presence in Miami which is developing fast as a regional financial centre serving Latin America.

Despite the size of the Florida banking market, all the major bank mergers announced so far have involved out-of-state banks taking over Florida banks. A merger of Barnett and Southeast would create the biggest bank in both Florida and the south east—a position currently held by the fast growing NCNB group based in Charlotte, North Carolina.

However, analysts cautioned that Southeast has had merger talks before with several banks including First Atlanta, and these have come to nothing, mainly it seems because of disagreement about the price which would have to be paid for Southeast, the shares of which are currently depressed because of the group's recent loan loss problems and below average profitability.

AIBD settles Bear, Stearns dispute

By Maggie Urry

THE FIRST dispute put to the Association of International Bond Dealers arbitration procedure has been settled

The two parties—T. G. Galgey, a small London bond trading house, and Bear, Stearns International, the London branch of the major US securities firm—issued a joint statement saying that "The differences which have been the subject of an AIBD arbitration have been resolved to the mutual satisfaction of both parties. T. G. Galgey and Bear, Stearns International would like to take this opportunity to express their appreciation of the good offices at the AIBD and its appointed arbitrators." Neither side would reveal details

The dispute, which went to arbitration in July, 1984, arose out of trading between the two firms which took place when Mr Peter Buer was the chief trader in Bear, Stearns' London office. He was dimissed by Bear, Stearns.

Sanko Steamship creditor bank executives' pay cut

BY YOKO SHIBATA IN TOKYO

TOP EXECUTIVES and directors of three big Japanese banks will see their salaries and bonuses cut by up to 25 per cent for six months as a result of write-offs of Y164bn ($815m) against loans to the financially troubled Sanko Steamship.

In addition to the three banks, six big trading houses have also announced write-offs totalling Y11bn against their business with Sanko during the first six months of the current financial year ended in September.

At Daiwa Bank, the largest bank creditor with claims of Y94bn against Sanko, Y69.8bn was written off in the six months to October. The bank, which is the largest shareholder in Nomura Securities, is understood to have sold securities and dipped into loan loss reserves during the quarter. Salaries and bonuses to all directors will be cut by 25 per cent for the six months to next March and the customery half-yearly bonus due in June will be withheld.

LTCB has written off Y52bn of its Y72bn in claims against Sanko, and will cut the pay of its chairman, president and several other senior executives by 10 per cent for six months retroactively from last October.

Tokai Bank is writing off Y41bn out of total loans of Y51.3bn to Sanko, and is omitting directors' half-yearly bonuses and cutting wages by 10 per cent for top executives for six months.

The write-offs by the three banks cover claims against Sanko other than those for loans made against collateral and loans to the hard-pressed tanker operator's overseas subsidiaries.

The six trading houses affected are Marubeni, Sumitomo, Nissho Iwai, Toyo Menka, Nichimen and Kanematsu-Gosho. They have written off a total of Y2.6bn in the form of stock sales and valuation losses.

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Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,214	Ass. Brit. Ind. Ord. ...	123xd	−5	6.6	5.4	6.8	8.1
—	Ass. Brit. Ind. CULS...	130	−2	10.0	7.7	—	—
3,415	Airsprung Group	59	—	6.4	10.8	9.8	12.8
1,075	Armitage and Rhodes...	43	−2	4.3	10.0	5.3	6.4
53,313	Bardon Hill	166	—	4.0	2.4	21.0	21.8
2,863	Bray Technologies	52	+1	3.9	7.5	6.3	7.3
508	CCL Ordinary	145	—	12.0	8.3	3.5	3.4
1,388	CCL 11pc Conv. Pf. ...	103	—	15.7	15.2	—	—
7,198	Carborundum Ord.	120xd	−4	4.9	4.1	5.9	9.3
651	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—	—
4,539	Deborah Services	58	+2	7.0	12.0	6.0	7.9
3,034	Frederick Parker	21	—	—	—	—	—
1,384	George Blair	76	—	—	—	3.1	5.6
1,828	Ind. Precision Castings	45xd	—	3.0	6.6	11.9	9.9
14,419	Isis Group	181	−4	15.0	8.3	13.9	20.8
5,728	Jackson Group	110xd	—	5.5	5.0	7.4	7.4
38,733	James Burrough	225	−5	15.0	5.5	8.7	8.7
3,293	James Burrough 9pcPf.	96	—	12.9	13.6	—	—
8,129	John Howard and Co.	78xd	+3	5.0	6.4	6.2	9.8
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
16,365	Minihouse Holding NV	570s	—	6.9	1.2	24.9	23.7
745	Robert Jenkins	73	−2	—	—	9.5	20.9
1,260	Scruttons "A"	31	—	—	—	—	7.9
1,660	Torday and Carlisle ...	68	—	5.0	7.4	3.4	6.2
1,496	Trevian Holdings	330	—	4.3	1.3	18.8	18.4
5,652	Unilock Holdings	36	—	2.1	5.8	9.8	9.6
15,511	Walter Alexander	171	—	8.6	7.1	6.8	8.3
4,668	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

S = Suspended.

UK COMPANY NEWS

Abbott Mead Vickers offers 29% of equity

CARRYING A £22.4m price tag, Abbott Mead Vickers, one of the *UK's fastest growing advertising* agencies, is coming to the market with an offer to raise £6.6m.

The prospectus is published today for the sale of 3.66m shares at 180p each — 29 per cent of the equity — raising over £5.6m for the directors, with the balance for the company.

The agency was started in 1978 by David Abbott, Peter Mead and Adrian Vickers who had all been directors of established agencies. Since then it has grown to the thirteenth largest agency in the UK with 118 people and billings forecast to rise to £47.5m in the current calendar year.

Clients include British Caledonian Airways, with its distinctive television commercials — its Caledonian girls theme plagiarising the Beach Boys hit record of the 'sixties, Californian Girls.

Other well known commercials on television include the singing potatoes of Smiths Crisps, George Cole keeping his nest-egg in the Leeds Building Society, and recent campaigns for Sainsbury, Volvo, Yellow Pages and Budweiser beer.

Its exposure to television has increased in recent years — prompted largely by the success of the Caledonian campaign — and that medium accounts for 57.5 per cent of its billings, compared to 34.3 per cent for the press.

Apart from an upwards blip in 1981 — when a rent holiday on its offices gave profits a £117,000 boost — profits were relatively flat in 1980 to 1983. The directors attribute that sluggishness to the costs of building the agency's infrastructure. In 1984 billings took off with a jump from £19.75m to £34.38m and pre-tax profits climbed from £260,000 to £887,000.

For the year ending next month the directors are forecasting a profit of £2.1m from billings of £47.5m. On that basis the company is being launched on a p/e of 18.5, after a 44.3 per cent tax charge. Had the company been quoted for a full year the dividend yield would be 2.2 per cent.

Other than the directors, AMV has a substantial shareholder in Scali McCabe Sloves, a US agency which is part of Ogilvy Group. It currently holds 35 per cent which will drop to 24.7 per cent after the issue. SMS is selling in the same proportion as AMV's own directors. The relationship with SMS is designed to improve the UK company's contact with international clients. The two are currently sharing work for Chase Manhattan Bank.

Dealings in AMV are expected to start on December 5. The issue has been handled by Hambros Bank and Rowe and Pitman.

● comment

AMV has a reputation in its sector which puts it up amongst the leaders and while a p/e of 18.5 for a business, which can be no better or worse than its current campaigns, may seem ambitious to those churning out lengths of cloths or nuts and bolts, advertising agencies are highly rated, and AMV is coming on a rating below most of its contemporaries. The prospective multiples of Boase Massimi, Lowe Howard and Wight Collins are all in the low twenties. And looking towards 1986 strong growth could drop the p/e to under 13, still a touch lower than most of its competitors. The recent television campaigns for Sainsbury and Leeds, each worth around £5m, have not had much impact yet and winning Sealink could bring in another £2½m. In 1985 AMV probably saw no more than £3m from these promotions. Add in extra for new clients and profits could easily come out around £3m. So investors have a chance to get into a good company in a fast growing sector. The price is right and there should be at least a 15p premium for the offer price.

Burton Group

Mr Ralph Halpern, the chairman of Burton Group, last night played down speculation that he was planning to sell the Harvey Nichols department store and Hamleys toy store, which his company acquired with the takeover of Debenhams in August.

He said he was considering the sale of Debenhams' portfolio investments in the US to help fund the reshaping and growth of the Burton group. He also looked forward to an improvement in cash flow as a result of better trading.

Mr Halpern told Channel 4's The Business Programme: "We have to look carefully at all the portfolio investments which the Debenhams board has made over the past few years—for instance, the properties in America, in property in a shopping centre in Atlanta and in bonds."

BOARD MEETINGS

TODAY

Interims—Chamberlain Phipps, Dunhill, Leigh Interests, Marshalls Halifax, Merrydown Wine, Norton Opax, Pronteprint, Sekers International, Sheraton Securities International, Southwest Resources, Stirling Group, TR Technology Investment Trust.

Finals—British Empire Securities and General Trust, Carroll Industries, City (Sound of Merseyside), Share Drug Stores.

FUTURE DATES

Interims—

Brunning	Dec 3
Country Gentlemen's Assocn.	Nov 28
Feedback	Dec 4
Helical Bar	Nov 28
Longton Industrial	Dec 6
Penny and Giles International	Nov 28
Sims Catering Butchers	Nov 29
Warehouse	Dec 10

Finals—

Borthwick (Thomas)	Dec 10
Chrysalis	Dec 2
Hanson Trust	Dec 5
Holmes and Marchant	Dec 4
St Ives	Nov 28
Spencer Clark Metal Industs.	Dec 12

BASE LENDING RATES

ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Secs. Ltd.	12½%
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Giro Bank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11 %
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

Personal

FINANCIAL TIMES STOCK INDICES

	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18	Nov. 15	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.85	83.60	83.87	83.41	83.10	83.02	84.87	78.02	127.4	49.18
Fixed Interest	88.90	88.96	88.78	88.76	88.68	88.59	90.38	82.17	150.4	50.53
Ordinary	1135.4	1121.6	1106.0	1095.5	1083.2	1086.1	1135.4	911.0	1135.4	49.4
Gold Mines	294.5	293.6	285.2	277.6	280.4	283.0	556.9	237.9	734.7	43.5
FT-Act All-Share	699.64	696.04	689.71	684.28	682.12	682.04	699.64	581.88	699.64	61.92
FT SE100	1451.0	1443.1	1424.3	1412.1	1405.1	1403.9	1451.0	1206.1	1451.0	986.9

LADBROKE INDEX
1,129-1,133 (+16)
Based on FT Index
Tel: 01-427 4411

UK COMPANIES

Strong response expected for Laura Ashley

THE PUBLICATION today of the prospectus for the flotation of Laura Ashley, the design, clothing and furnishing group, is expected to produce a strong response from investors.

City analysts are predicting that the offer for sale will be heavily oversubscribed and expect the shares to open at a significant premium when dealings begin a week on Thursday.

Laura Ashley's pre-tax profits are shown as having risen from £875,000 in 1980 to £14.1m in the year to last January. For the current year they are forecast to be not less than £17m, putting the shares on a prospective p/e ratio of 23 at the offer price of 135p.

The multiple compares with a current year average of 18½ for the stores sector and ranks Laura Ashley with retailers such as Habitat/Mothercare, Burton and J. Hepworth.

The City does not, however, regard the price as excessive when compared with other recent retailing issues. Mr Dan Bunting, a stores sector analyst with brokers Scrimgeour Vickers, commented: "If you can get Underwoods away on a current year p/e of 38, then Laura Ashley begins to look like the bargain of the century."

The 51-page offer document says that the reason for the flotation is to raise capital to support the group's growth through more shop openings and the expansion of design and production capacity.

The US is seen by the group as offering the greatest potential and there are ambitious plans for many more shops there. Britain is seen as having scope for considerable expansion and further shop openings are being considered in the Pacific Basin — particularly in Japan.

Continental Europe, the prospectus says, has been extensively reorganised in recent years and the directors believe it to be "capable of satisfactory profits."

Laura Ashley is offering £46.5m shares of a nominal 5p each at 135p a share, payable in full on application. Only 23.3 per cent of the share capital is being issued: the rest will remain largely in the hands of Ashley family interests.

● comment

Retailers do their business in a goldfish bowl and stores sector issues can always be relied on to attract strong support, particularly in a raging bull market. Add to the Laura Ashley case the fact that the institutions are keen, that the Americans are said to be hungry and that Laura Ashley customers themselves are likely to join the queue in droves, and it begins to look as though there will be many disappointed punters come the allocation. If they find themselves in search of consolation, it is not impossible to find: Laura Ashley may be storming ahead in the US, but then so did French Connection; its European performance is at best luke warm; and the loss to the management team through the death of Mrs Ashley was severe. In any case, they can ask, does this mish-mash of designing, manufacturing and retailing warrant a premium store sector rating? To which the market's resounding answer will be "yes—and more." It would take a bold forecaster to predict the premium, but it is not likely to be small.

Heavy provisions push Epicure into £3.3m loss

AFTER A heavy loss on operations ad making provision for the maximum potential deficit on activities closed or sold, the Epicure Holdings group has recorded an attributable loss of £3.26m in the year ended June 30 1985, compared with £12,000.

However, overall benefits of a reorganisation, the majority of which has been implemented in recent months, is already showing through in the current period, with improved trading results and reduced borrowings, the directors state.

The group is involved in construction industry services and property investment and financial activities and the directors say the group had an extremely difficult year with profitability of all sections being dramatically reduced.

This, and the continued high level of interest charges—£790,000 (£829,000), was the principal reason for a pre-tax loss of £1.17m this year, compared with a profit of £207,000.

In June, Epicure acquired Kurdia, a Swedish specialist stel finisher, for a share consideration which gave Kurdia some 14 per cent of the enlarged capital. In August, Mr Hakan Hammerqvist, head of Kurdia, was appointed chairman of Epicure "to reflect its change in direction."

Kurdia was introduced to Epicure by Installatiebouw, a privately owned Dutch construction group which purchased 29.9 per cent of Epicure from Mr R. J. Brealey, who was then chairman and controlling shareholder, in August 1984.

The group results now reported do not include any contribution from Kurdia. In the 18 months ended June 30 1985 it made profits of £650,000 on a turnover of £13.5m.

Most of the loss-making activities have been sold or closed down, some investment properties have been disposed of, and central costs have been reduced significantly. The directors have also appraised all remaining group assets at June 30 and made such provisions as they consider necessary.

Extraordinary charges total £2.26m (credits £110,000) which the directors concede is high, but "gives a realistic base for the future."

Extraordinary charges comprise loss on sale of US condominium £308,000, provision in respect of US hotel £630,000, irrecoverable advance payments to sub-contractors £402,000, cost of reorganisation and closure or sale of businesses £874,000, and provision against the investment in Sheffield United Football Club £125,000. On the credit side there were profits on sales of properties £76,000 (£110,000).

The group is changing its year-end to December 31, and the six months accounts to the end of 1985 will be presented next spring.

H. J. Baldwin in red

SECOND-HALF pre-tax losses of £53,237 have left H. J. Baldwin, Nottingham-based clay and concrete manufacturer, with losses for the year to April 30 1985 of £7,482, against profits of £210,145 previously.

The company, which is controlled by Hartley Baird, saw its turnover for the year fall from £2.63m to £2.21m, and after a tax credit of £931 (£94,570 charge), losses per 10p share emerged at 0.47p compared with earnings of 2.88p. There is again no dividend. The last payment made was 1p net in January 1981.

The directors are negotiating an agreement with a company controlled by Mr S. A. Kaye. Subject to Stock Exchange approval, he will subscribe for 300,000 ordinary of the company at 40p per share and that company will have an option to subscribe for a further 350,000 ordinary over a two year period at prices between 40p and 75p per share.

Hartley Baird will provide Mr Kaye's company with an additional option over a further 350,000 Baldwin ordinary on similar terms.

Mr Kaye will provide not less than half his working week to the service of the company. In the first two years of service he will receive £1,500 per annum director's remuneration, but in the third and fourth year he will also receive a bonus which will represent a multiple of the company's then earnings per share.

AB Electronic geared up to share in growth market

BY ROBIN REEVES, WELSH CORRESPONDENT

STRONG CONFIDENCE in the long-term growth potential of the electronics industry was expressed by Mr Henry Kroch, chairman of the AB Electronic Products Group at the annual meeting in Cardiff.

Profits of the group, which manufactures a wide range of electronic components and sub assemblies, at home and abroad, were hard hit this year, notably by the two financial crises at Acorn Computers and by Sinclair's problems.

But Mr Kroch stressed: "We are not making a living from home computers but from electronics. In the longer term, the electronics industry undoubtedly offers above average growth potential."

He said the diversified activities in automotive electronics, aerospace, defence, data processing and telecommunications put the group in a strong position to participate in this growth."

Group sales leapt by 75 per cent to £122m in the year ended June 30 1985, from which the profit rose 54 per cent to £8.7m. However, that was reduced to 4m following a £4.7m write-off made towards the financial restructuring of Acorn. The dividend was lifted by 2p to 8p.

Mr Kroch said that bank borrowings had not increased, as expected. The company was not contemplating a rights issue in the current year, he added.

Mr Kroch announced that he had handed over day-to-day executive responsibilities of the company to Mr Ted Merretto, managing director, who was brought in as a potential successor six years ago. But Mr Kroch, who has guided the company's fortunes for nearly 40 years, intends to continue as full-time chairman until the AGM in 1988 at the latest.

Mr Peter Parker, deputy chairman, has already been announced as his successor.

F.T. Share Information

The following security has been added to the Share Information Services: Guinness 8½pc Conv. Uns. Ln. 1996-2001 (Section: Beers, Wines & Spirits).

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or-	Net Div.	Times covered	Gross Yield	P.E. Ratio
95	F.P.	7/11	108	97	AMS Inds. 5p	104		bg1.25	3.0	1.7	16.9
—	F.P.	—	5	3	Bardsey Warrants	5		—	—	—	—
185	F.P.	1/11	235	202	Britoil 10p	235	+5	t13.0	3.0	7.9	6.7
§110	F.P.	—	134	128	‡CheshireW'foods 5p	128	-6	bg3.65	2.0	4.1	17.1
$1.71p	F.P.	—	68	68	China&Eastn.Inv $0.50	69		—	—	—	—
—	F.P.	—	21	16	Do. Warrants	20		—	—	—	—
§90	F.P.	5/11	122	98	‡Colorgen Inc. $0.01	108	+1	—	—	—	—
100	50	6/12	54	52	Cont'l.Assets Tst.£75p	53		—	—	—	—
§88	F.P.	8/11	96	88	‡Cowells	88	-2	bg2.8	2.6	4.2	12.8
160	F.P.	6/12	179	160	Davidson Pearce 10p	178	+6	bg2.5	3.7	2.0	19.1
95	F.P.	20/12	109	102	‡Ealing Electro. 5p	105		bg2.2	4.3	3.0	11.0
120	F.P.	18/11	110	100	Fairbriar 10p	106	+2	bg4.0	1.8	5.4	9.8
100	50	—	49½	49	German Sec. Inv. £1	49		—	—	—	—
§72	F.P.	29/11	75	67	‡Gibbon Lyons 10p	68	+1	bq35.2	—	7.4	12.4
§57	F.P.	11/12	67	60	‡Hampden Home 10p	60	-5	bg1.5	2.8	3.6	14.5
§94	F.P.	30/10	98	78	‡InfraRed $0.10	84	-1	Q2.15c	3.2	1.8	—
55	F.P.	20/12	54	52	INOCO 10p	53		—	—	—	—
190	F.P.	10/1	206	180	Intl. City Hldgs.	184	+4	u9.0	3.2	7.0	7.5
114	F.P.	10/1	113	100	‡Magnetic Materials	105		u2.8	3.1	3.8	9.6
§90	F.P.	22/11	98	91	‡Martin (Ronald) 10p	97		bg3.27	2.2	4.8	15.2
§67	F.P.	22/11	72	67	‡Metsec 10p	68		bg24.8	—	5.2	11.5
125	F.P.	—	140	128	SPP 10p	140	+2	bg4.75	2.3	4.8	12.7
*330	F.P.	1/11	480	343	St. Ive's 10p	480	+2	bq8.0	2.2	2.4	18.6
§175	F.P.	23/11	192	175	‡Shandwick 2p	185		u3.68	—	2.8	25.0
§57	F.P.	—	73	65	‡SterlingPublish'g 5p	73	+6	b2.0	1.9	3.9	17.2
100	F.P.	22/11	100	97	Strata Invs.	98	-1	—	—	—	—
§118	F.P.	20/12	128	119	‡TMD Advertising 5p	126	+3	ug1.65	3.3	1.9	22.8
*180	F.P.	20/12	212	195	Underwoods 10p	198	-2	bg1.65	3.0	1.2	40.5
§128	F.P.	—	175	150	‡World of Leather	163		bg2.5	3.0	2.2	21.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or-
87.305	£30	—	32⅞	29⅝	Australia 9½% Ln. 2012	31	-⅛
§91.443	£30	17/1	29⅝	27½	Bank of Greece 10⅛% Ln. 2010	28½	
‖	Nil	8/1	9½pm	½pm	Biomechanics 8½ Cnv. Uns. Ln. 1991	3½pm	
**	F.P.	—	113	100	Bremner 10½ Cnv. Uns. Ln. 1995	110	
§100	£10	—	10¼	10¼	Bristol Water 11.2% Red. Deb. 2005 08	10¼	
§96.456	£25	27/11	28½	25⅝	Brixton Est. 10¾% 1st. Mort. Deb. 2025	27½	+⅛
*100	£10	23/1	11¾	11½	Chester Water 8% Red. Pref. 1992	11¾	
‖	Nil	3/1	11ppm	5ppm	‡Cont. Microwave 6% Cnv.Red.Pf.2005	10ppm	-1
§98.324	£40	3/12	44¼	40¾	Est. & Gen. Inv.11¼% 1stMort.Deb.2018	43¼	
§100	£10	—	10	10	East Anglian Water 11.5% Rd.Db.1995 97	10	
§100	£10	—	10	10	Essex Water 11.5% Red. Deb. 1995 97	10	
§100	£10	—	10¼	10¼	Do. 11.2% Red. Deb. 2005-08	10¼	
§97.617	£25	31/1	27¾	25¾	Evans of Leeds 11% 1st.Mort.Deb. 20.23	26⅞	+⅛
95.603	£25	10/1	25½	24¼	Haslemere 10½% 1st Mort. 2016	25⅛	+⅛
88.466	£30	24/1	32½	29⅝	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	31	-⅛
§92.899	£25	31/1	25	23⅞	Land Securities 10% Deb. 2025	25	
—	F.P.	—	99½	99⅛	Nationwide 11⅛% Bds. 20.10.86	99½	
—	F.P.	—	100	99¼	Do. 11⅛% 17.11.86	100	
§98.43	£25	21/2	25⅛	24½	Peachey Prop. 10½% 1st Mort. Deb. 2015	25⅛	+⅛
§38.967	F.P.	19/4	40⅛	39⅝	Safeway Deep Dis. Stepped Ln. 2011	40¼	
*87.25	£30	30/4	30⅛	29	Sweden (Kingdom of) 9⅝% Ln. 2014	30⅛	-⅛
§98.650	F.P.	—	100¼	99¾	Yeoman Inv. Tst. 11¼% Deb. 2015	99¾	

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or-
9½	Nil	—	1½pm	1¼pm	Barker & Dobson 1p	1¼pm	...
25	Nil	2/1	19pm	15pm	Comm. Bk. Wales	19pm	+1
94	Nil	24/1	14pm	13pm	‡Dencora	14pm	+1
Dm450	Nil	—	495	435	Deutsche Bank Dm50	437	
106	F.P.	10/1	130	125	Fisher (Albert) 5p	126	+1
2½	Nil	8/1	4pm	2¼pm	‡Metal Sciences 2½p	4pm	+½
60	Nil	23/12	4pm	1pm	‡Pavion Intl.	1pm	-5
32	Nil	—	4pm	3pm	Readicut 5p	3pm	
240	Nil	—	45pm	45pm	Samuelson Grp. 20p	45pm	

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *H* Dividend and Yield based on prospectus or other official estimates for 1986. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
AE	Dec 16	Final 2.5
Akroyd and Smithers	Nov 20	Final 12.5
Allied Lyons	Nov 27	Interim 10.4
Argyll Group	Dec 4	Interim 2.1
*Associated Newspapers	Jan 9	Final 9.5
*Avon Rubber	Dec 4	Final 3
BET	Dec 20	Interim 2.75
*BOC	Dec 4	Final 4.55
*BPB Inds	Nov 26	Interim 3.1
Baker Perkins	Dec 10	Interim 2.6
*Bass	Dec 5	Final 9.6
*Borthwick (T.)	Dec 10	Final 0.25
*Cape Inds	Dec 4	Interim due
Charter Cons	Dec 12	Interim 3.75
*Chloride	Dec 10	Interim due
*Coalite	Dec 4	Interim
Common Bros	Nov 14	Final nil
*Dawson Internatnl	Nov 28	Interim 2.6
Dobson Park	Dec 10	Final 3.31
*English China Clays	Dec 12	Final 6
*Ferranti	Dec 5	Interim 0.12
GEC	Dec 4	Interim 1.35
Granada	Dec 5	Final 4.1
Grand Metropolitan	Dec 20	Final 5.5
Greenall Whitley	Dec 10	Final 1.928
*Greycoat	Dec 12	Interim 0.75
GUS	Dec 6	Interim 6.25
*Habitat Mothercare	Dec 5	Interim 2.4
*Hambros	Nov 26	Interim 20p
*Hanson Trust	Dec 5	Final 3.25
Haslemere Estates	Dec 13	Interim 2.3
Hunting Gibson	Dec 12	Interim 0.20
IC Gas	Dec 11	Interim 5.25
Intl Leisure	Dec 14	Interim 2.0
Intl Signal	Nov 14	Interim 1c
*Johnson Matthey	Nov 27	Interim due
Kwik Save	Nov 15	Final 2.8
Lond Merchant Securities	Dec 13	Interim 0.7
MEPC	Nov 27	Final 6.5
McCorquodale	Dec 11	Final 3.4
*Meyer Intl	Dec 10	Interim 1.8
Norcros	Dec 10	Interim 2.6
*Nthn Foods	Dec 12	Interim 4.25
Pegler-Hattersley	Dec 5	Interim 6.25
*Pilkington Bros	Dec 12	Final 5.0
Polly Peck Intl.	Dec 4	Final 2.5
RHM	Dec 4	Final 2.755
*Redland	Nov 28	Interim 2.2
*Rothmans Int	Nov 28	Interim 2.2
*Royal Bank Scotland	Nov 28	Final 5.2
Scot and New Breweries	Dec 17	Interim 1.9
*600 Group	Nov 28	Interim 3.343
Smith Bros	Dec 13	Interim 1.5
Stock Conversion	Dec 17	Interim 2.6
Tate and Lyle	Dec 12	Final 12.5
Trafalgar House	Dec 4	Final 5.3
*Unigate	Nov 27	Interim 3.0
Vaux Brews	Dec 13	Final 8.655
Westland	Dec 19	Final 5.25
Wlvrhmpton and Dudley Brws	Dec 11	Final 5.05

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BIDS AND DEALS IN BRIEF

PILKINGTON has agreed to acquire a 25 per cent stake in CP International, a London and New York based systems company. CP is a holding company whose operating subsidiaries manufacture and market fibre-optic electronic communication systems for banking and trading houses. The other partner in the venture is C & P Technology, a leading company in fibre-optic based communications. Sales this year will amonut to £4m in Europe, and £6m in the US.

ALFRED MCALPINE Minerals has taken an 80 per cent share in Quarricrete (Llandudno), a producer of concrete blocks and associated products, serving North-west England and Wales.

WHITTINGTON Engineering has been informed that GMI Holdings does not intend to make a bid for it. The shares received by GMI in consideration of selling Whittington an investment property for £325,000 will be held as an investment.

RILEY LEISURE is proposing to reduce its share premium account by £1.9m and write-off goodwill against the resulting capital reserve. In the future, profits and earnings per share will not be reduced by the amortisation of goodwill. However it will also cut the group's borrowing capacity and the directors will be asking for an increase in the limit.

COMPREHENSIVE Financial Services proposes to acquire the remaining 25 per cent of subsidiary, CFS (Investment Management), in exchange for 615,000 ordinary shares priced at 118p. Deal is subject to shareholders' approval. Managing director Mr M. Ingall (who will join the main CFS board) and co-director Mr J. Ruffer will have service agreements with CFS and will not dispose of their consideration shares within two years.

WHEWAY has acquired from PCT, 50 per cent of the share capital of Felco-Moore Maintenance Engineers for a cash consideration of £200,000. The purchase of these shares makes the company a wholly-owned subsidiary of Wheway.

SHARE STAKES

Changes in company share stakes announced over the past week include:—

North Sea Assets—Pensionenfonds PGGM has acquired a further 100,000 ordinary shares and total holding now 16.1 per cent of share capital. Understood to the long-term investment. Ivory and Sime acted in transaction. When aggregated with existing holdings of Ivory and Sime clients, this amounts to 24.4 per cent of capital.

Crown Intl. Productions—Greenstar Leisure increased its holding by 500,000 shares as a result of Crown acquisition of Capital Television. Greenstar acquired a further 144,600 shares, increasing total holding to 2m shares (21.5 per cent).

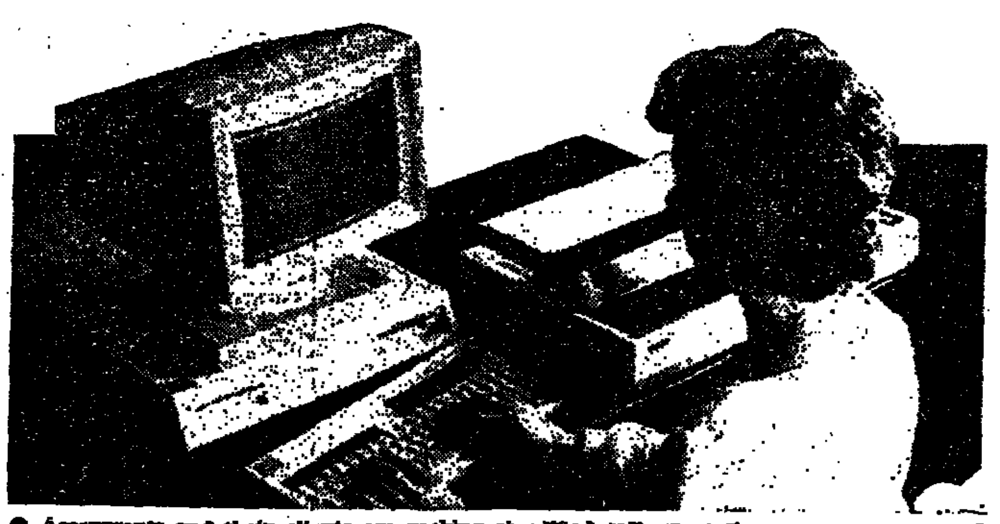
Ivory and Sime—Merchant Navy Officers' Pension fund and Murray Growth Trust acquired 940,000 ordinary which, when aggregated with the 4.23m held by the fund, amount to 5,170,429 ordinary (21.2 per cent).

Electronic Rentals—Philips Electronic and Associate Industries says as a result of shares lued for purchase of Telefusion, its holding in ERG now stands at 64,170,931 shares or 22.6 per cent (25.5 per cent previously).

FINANCIAL TIMES SURVEY
Monday November 25 1985

Accountancy

Although the demand for accountancy services remains extremely buoyant in Britain, the profession faces difficult structural problems. Proposals for mergers among the UK's major accountancy groups continue to be put forward, but with little success so far



● Accountants and their clients are seeking simplified software systems, since the area of computerised accounting has long worried many clients. Above: Guildhall's new Checkbook Plus software accounting program being used on an Apricot computer.

Searching for unity

IT IS a time for strategic thinking in the British accountancy profession. The biggest professional body, the Institute of Chartered Accountants in England and Wales, with a membership nearing 80,000, has just published its Worsley Report on future governance.

Elsewhere, the 25,000-strong Institute of Cost and Management Accountants has within the past few days brought out the report of its strategy review group, while the ICMA's Council celebrates its second, and even more comprehensive, victory this month over its rebel member Mr Alan Brooks' attempt to force a merger with the Chartered Association of Certified Accountants.

By BARRY RILEY
Financial Editor

The Chartered Association—which also has Mr Brooks as a member—was more sympathetic, and responded with a statement that as a matter of principle it supported rationalisation of the UK profession "more strongly than ever." But it appeared to have a rather different idea of the way in which this should be achieved, calling for registration of the term "accountant" which at present can be adopted by anybody.

Meanwhile the small but influential public sector body, the Chartered Institute of Public Finance, ponders its future after the shelving of formal merger talks with the ICAEW, and after the unveiling in the Worsley report of a future structure which does not seem to give much scope for CIPFA's aspirations within an enlarged English Institute.

Unity seems a long way off. Indeed, the effects are now being seen of the demotion last year of the UK profession's most substantial attempt at finding common cause, the Consultative Committee of Accountancy Bodies.

In its submissions on issues of public concern the CCAB used to achieve a worthy, if dull, consensus. Now the six former member bodies are all free to ventilate their own opinions. The result is much more lively but is also notably more erratic, and the question is whether the interests of the accountancy profession as a whole are better served.

There has been a good recent example in the response of the profession to the Department of Trade and Industry's discussion document on whether the statutory requirement for company audits should be relaxed as part of the process of reducing the burdens imposed on business by State bureaucracy.

Whereas the English Institute decided that in certain circumstances audits could be made voluntary, the Irish Institute and the Chartered Association decided that they should remain compulsory, while other institutes fired off in various slightly different directions. It is not clear what the DTI will make of this conflicting advice from the profession.

Elsewhere, the process of developing accounting standards has slowed right down as the consensus of opinion has become dissipated. There have been open rows between institutes over inflation accounting, and the Accounting Standards Committee is now being driven to introduce watered down "SORPs" (statements of recommended practice) rather than mandatory standards, the first SORP being on pension scheme accounts.

The fundamental problem reflected in these and other arguments is the difficulty of combining professionalism and commercialism in what is a very successful and fast-growing sector of the financial services industry.

Recruitment

Membership of the various institutes continues to grow steadily, and the major firms of chartered accountants are recruiters of graduates on a large scale—though a sudden tightening in the graduate labour market this year has sent first-year salaries shooting up by some 17 per cent to near £7,000 in London.

Despite the cost, the top 20 firms are said to be planning a further 15 per cent increase in their intake by 1987. Given that there is little growth in traditional accountancy business such as audits and liquidations, the implication is that still greater numbers of qualified accountants will spill out into tax advice, management consultancy, corporate finance and many other areas, while many more will continue to leave practice altogether and pursue general business careers. Organising the profession is not likely to get any easier.

As things stand, the UK profession is divided according to three different dimensions: by status (the chartered institutes v the Chartered Association); by professional specialisation (the English Institute v CIPFA); and by geography (the English v the Scots v the Irish).

The strategy review group of the ICMA is pushing for a more logical restructuring by functional streams. On that reasoning a merger of the ICMA and the Chartered Association is ruled out because it would muddle up practising and non-practising groups. So, presumably, is a combination of the English Institute and CIPFA, which makes sense only in terms of the commercial aspirations of the big firms of chartered accountants to expand into public sector business. It would not appeal to the overall membership, which is why the scheme has been shelved.

The ICMA would see as more logical that it should form a closer alliance with the industrial membership of the English Institute. But that idea comes up against the problem that the FCA label carries more status than its ICMA counterpart, a class barrier emphasised by the successful appeal by the English Institute to the Privy Council a couple of years ago to prevent members of the ICMA calling themselves chartered management accountants.

The status battle sometimes verges on the absurd. The ICMA is now considering whether, having been blocked from calling itself the Institute of Chartered Management Accountants, it should now attempt a name change to the Chartered Institute of of Managemen Accountants.

Viewpoints

In its strategy review the ICMA commits itself to work towards unification of the profession, but accepts that this is unlikely to be achieved in the shorter term. Ultimately, its members hope, the profession will be rationalised into clearly defined streams for auditing, management accountancy and public finance.

Characteristically, the English Institute's Worsley Report has analysed the institute's structural problems in wholly introverted terms. It has ignored the fact that half the nation's accountants belong to other professional bodies.

The English Institute has, of course, plenty of problems of its own without looking elsewhere. These days the Institute's council scarcely dares to put any substantive proposal to its rebellious membership. Indeed, the Institute could be reduced to penny-pinching as a result of its failure last June to achieve the required majority in favour of a rise in subscriptions.

As the Worsley Report put it last month: "If council is seen too often not to be supported by members at annual and special meetings, the institute will not be seen as a credible source of professional advice."

The English Institute's structural debate has been highlighted in recent months by the threat from a group of medium-sized firms to set up a formalised pressure group called the Association of Practising Accountants which would promote the interests of medium-sized firms. They fear they will be swamped by the marketing power of the top firms, newly released from advertising and promotion restrictions.

To hold the institute together the Worsley working party is proposing a matrix of "boards" and "faculties" backed by an enlarged secretariat. The boards would represent commercial interest groups, the faculties would form the focal points for technical specialities.

A major debate on the proposals is promised early next year. If the institute fails to convince its typically uncooperative and divided membership of the wisdom of the proposals, a more far-reaching federalisation of the UK accountancy profession would appear to be the only long-run alternative.

UK groups assess impact of new legislation

BRITISH ACCOUNTANCY bodies are grappling with the impact of a heavy volume of new and pending legislation, notably in the areas of insolvency and investor protection. There is also intensive discussion of the role of auditors in the process of supervision of banks and other financial institutions. The whole question of the detection and prevention of fraud is being investigated.

The English Institute of Chartered Accountants in England and Wales has been prompted to initiate an urgent internal review of fundamental questions of self-regulation in the profession, in the context of changes in the statutory framework.

Further legislative pressures could well originate from within the profession itself. There are moves to promote changes in the Companies Acts in order to permit limited liability for auditors and to recognise in statute the issue of practising certificates. And some accountants hanker after a more comprehensive statutory recognition of members of the profession in areas outside auditing.

The recent strategy review of the Institute of Cost and Management Accountants called, for instance, for separate statutory recognition of the status of accountants engaged in the preparation of accounts, budgets adn corporate plans.

It does not seem credible, however, that a Government like the present one would be willing to create new professional rigidities and monopolies.

Even existing privileges might prove vulnerable. One reason why the Chartered Association of Certified Accountants was nervous of the suggested merger with the ICMA was that it was by no means a foregone conclusion that a combined body would have been recognised under the Companies Acts, as the Chartered Association is at present.

Hence, there is a suggestion that statutory control over auditors should be exerted more directly through practising certificates, rather than through recognition of particular professional bodies which are increasingly diverse in nature. The licensing of insolvency practitioners under the new legislation might conceivably provide a precedent.

As things stand, accountants are only indirectly involved in the financial services legislation which is due to be introduced to Praliament before Christmas. The White Paper published last January offered accountants and other professionals the prospect of exemption from the need for registration with a specialist investment self-regulatory body so long as investment did not represent a "significant" proportion of their business.

Protection

However, accountancy institutes would have to show that they could provide equivalent investor protection to that available through the SROs. The whole area is fraught with problems, not least in defining what is meant by "investment business" and "significance."

The chartered institutes in England, Scotland and Ireland have made it clear that they want to continue to remain responsible directly to the Secretary of State for Trade and Industry, rather than to an intermediate body such as the Securities and Investments Board.

The professional institutes are aware, however, that in a changing climate they will have to tighten up their disciplinary procedures—for example, by developing sanctions against firms, rather than just individual members.

BARRY RILEY

ON OTHER PAGES

International business: more overseas links sought 2
Incorporation debate: fears over indemnity 2
Publicity: marketing men flex their muscles 2
Small business sector: target for big firms 3
Public sector: growing volume of business 3
Insolvency specialists: new Act marks watershed year 4
Computers and accounting software: demand for multi-task systems 4

Accountancy 2

The marketing men flex their muscles

Publicity methods

BARRY RILEY

IT IS now just over a year since British firms of accountants were permitted by their institutes to advertise their services, and to engage in other forms of publicity such as sponsorship. The firms and the institutes are now assessing their experience in the first year to decide what has proved commercially effective and whether the ethical boundary lines have been drawn in the right place.

"The whole breadth of the guidelines will be reviewed," says Mr Norman Barton, secretary of the ethics committee of the English institute. Some changes are likely to be introduced next year, after consultation with other institutes.

The main area of practical dispute has been over the ban on direct mail shots. Along with cold calling, direct mail was originally decided to be unprofessional. But in practice the attempt to distinguish mail campaigns from other forms of advertising is seen by many accountants to be arbitrary, and to be creating many anomalies. It seems likely to be dropped.

The most ambitious advertising campaign to have been launched during the past year was Coopers and Lybrand's £500,000 leap into TV: the "Barry Braithwaite" commercial itself cost £90,000.

The spot, featuring a man in Acton who struck oil in his back garden, had mixed reactions—and although the campaign may have served Coopers' objective of making a big initial splash, it appears to have confirmed the accountancy profession's belief that TV is too expensive a medium.

Coopers has now parted company with the advertising agency concerned, Leagas Delaney, arguing that it needed a bigger agency with a broader range of services. It has just appointed Young and Rubicam as the replacement, and a new campaign (minus TV) is likely to start in the New Year.

Meanwhile the biggest spending firm in terms of Press advertising, Deloitte Haskins and Sells, shows no sign of being tempted into TV.

"We have no plans for TV at the moment," says Gareth Stainer, director of marketing at the firm which has spent around £250,000 in the past year. (Deloitte was actually the first firm on TV, albeit briefly, on October 1 last year.)

He points to the need to reach relatively small numbers of senior people in the business community. Deloittes has concentrated on selling specific products and services rather than building a general corporate image.

At Peak Marwick, however, the newly-appointed director of marketing, Colin Sharman, appears to be more influenced by the need to build an image — "my job is to find a way of differentiating us from the rest of the pack," he says.

Peat's low-key start — on a budget of only £140,000 — was product-oriented but the firm will be considering whether to shift away from the coupon-clipping approach.

Strategy

"We have learnt a lot of lessons and we are looking at our experiences carefully with a view to putting together a strategy which will take us through the next three or four years," says Mr Sharman.

Thornton Baker, having spent £150,000 or so, is another firm which is reviewing its whole policy. But like Deloittes and most other firms it appears to be inclined towards product-linked campaigns.

Mike Blackburn, managing partner of Touche Ross, also points to the advantage of coupon-linked campaigns, although his firm also managed to combine these with the memorable "Get in Touche" slogan.

"We have been able to trace the results of advertisements in relation to specific new business," he says. "It has proved to be economic overall. But it is true that some advertisements have been less productive than others."

He anticipates that Touche Ross's spend will continue at about the same as recent levels, which according to media sources has been around £150,000 in the past year.

Outside the ranks of the top firms, advertising has much less relevance. A firm needs national representation for there to be much point in its advertising in the national Press, unless it has some specialist service which it thinks is unusual enough to cause clients to come beating a path to its door.

Fairly typical is Casson Beckman, one of whose senior partners, Colin Wagman, says: "We do not advertise because we do not think it would be effective for us." The firm is around number 30 in the fee income league table, and trades out of a single London office.

Advertising is, of course, only one of the forms of publicity which firms of accountants can utilise. Most of the bigger firms have now hired public relations consultants to help boost their exposure in the media, and the promotion of conferences and publications, and the supply of expertise to newspapers and the broadcast media in areas like tax advice, are all widely employed means of boosting public awareness of individual firms.

As the big firms' new marketing departments flex their muscles — free from the need to disguise themselves behind coy labels like "practice development office" — their growing activities could accelerate the pace at which the profession is being reshaped.

The apprehension felt by medium-sized firms at the greater marketing capability of their bigger rivals was a factor behind the recent proposals to set up a new trade association for second- and third-line firms called the Association of Practising Accountants. Certainly there is a real fear that the profession will become polarised between famous name national firms and local or specialist firms, with the middle ground being wiped out.

As well as growing vertically, the big firms should also be able to use their marketing power to speed their horizontal expansion into new business areas like computer services, corporate and personal finance, and various kinds of management services. They can now promote these directly to prospective clients and will not in future be so dependent on their audit client base.

There is the prospect that the marketing and publicity departments will become quite powerful arms of the big firms. A notable development in this area was the recent promotion of Touche Ross's in-house PR specialist, ex-journalist George Westropp, to the status of partner earlier this year.

As well as seeking ways of reaching new clients, the big firms are also alive to the need to communicate with existing and prospective staff. Glossy recruiting brochures have been around for a little while now. But Deloittes broke new ground a few months ago with the first annual employee report.

More overseas links sought

International business

BARRY RILEY

A YEAR ago the proposed global merger between Price Waterhouse and Deloitte Haskins and Sells sparked off an intense wave of discussions between other international firms as they sought to find ways of countering the power of the new giant firm, which was to have been called Price Waterhouse Deloitte.

In the event determined internal opposition—not least from the British partners of the firms—killed off that merger, which only really made any great sense from a US perspective. And the merger talks by the various rivals also went into a lower key.

But that they did not subside completely was shown only a few weeks ago when discussions between Peat Marwick and Kleinveld Main Goerdeler got as far as a formal delegate conference in Holland, before these talks also collapsed.

The appeal of KMG was undoubtedly its impressive line-up of Continental European firms. The big Anglo-American firms have tended to be weak on the Continent, whereas KMG's US firm, Main Hurdman, is a long way behind the US Big Eight in terms of fee income, even though it is in fact the ninth largest firm there.

So superficially a combination of KMG with one of the Big Eight such as Peat Marwick would be better balanced in terms of geographical spread. But the politics of the merger were not that simple, because KMG was put together less than ten years ago precisely as a Europe-centred answer to the US-dominated Big Eight.

The pressure to build strong international firms is steadily increasing as clients become more international. Geographical boundaries no longer have much relevance today for many forms of business, and accountants that cannot provide an international service—even for comparatively small clients—are condemning themselves to a small-time future.

Behind the Big Eight and KMG are a whole string of contenders: Grant Thornton International, Pannell Kerr Forster, Binder Dijker Otte, Dearden Farrow International and quite a few more. Future mergers amongst this group are a likely response to the growing power of the international Big Nine, and the increasingly fierce level of competition.

The international firms are now vast enterprises. New information about their scope has recently been released in the US to the Dingell congressional subcommittee on the accountancy profession. Arthur Andersen had total worldwide partners' capital of $342m as at August 1984, within total capital employed of $639m. Its fee income was $1.4bn.

More recent figures for Peat Marwick International show fee income of just over $1.4bn for the year to June 1985, partners' capital of $381m, and total personnel of very nearly 30,000.

Deloitte Haskins & Sells International has disclosed fee income of $936m for the year to April 1984, and earnings attributable to active partners of $239m—shared by more than 2,000 partners. On average, Deloitte's partners enjoy total earnings of rather more than $100,000 a year, but since the average for the 765 US partners was $143,000 in fiscal 1985 the level of income is plainly much lower outside the US.

Incomes for senior partners in the US appear to range up to around $750,000, although the firms point out that all these partnership earnings are before pension contributions and taxes, and partners cannot qualify for stock option plans and other capital generating benefits which are available to corporate executives.

Although these incomes might seem reasonably high, the firms need to attract and hold high quality professionals, and in the US, at any rate, there has been a marked slowdown in the growth of the basic auditing business.

Competition

In these circumstances there is an increasingly intense scramble for new business, especially in more competitive areas such as management consultancy where contracts are usually more short-term than audit relationships. This is leading—in the UK as well as the US—to greater scrutiny of costs, a greater emphasis on internal management, and a tendency to push older, poorer performing partners out into early retirement.

Greater competition is spilling over into a drive for business in those parts of the world where the profession is less mature and growth prospects are greater. The Middle East is no longer the growth area that it used to be during the oil boom, but the Pacific aBsin continues to prosper and here Arthur Andersen has recently snapped up the Manila-based SyCip, Gorres, Velayo (better known as SGV).

The opportunity for the international firms is that a global market place is growing up in which companies—and their shareholders—will require an international standard of auditing and other financial services.

But on the basis of what happened in the continental market of the US there is room for only a limited number of firms, and there will be a severe squeeze on the second rankers.

And the big challenge will be to put in place management systems that can control sometimes jealous professionals in several continents and scores of countries. Some of the so-called international firms are loose associations, designed for little more than mutual business reference, rather than integrated businesses. That may not be good enough to hold them together as competition intensifies.

Concern mounts over indemnity

Incorporation debate

BARRY RILEY

SHOULD THE City Revolution stop short of the accountancy firms, or should they face up to the need for structural change if they are to develop into broadly based financial services operations?

Already the profession has accepted the need for big changes in the area of marketing and advertising. The next focus of debate is on the capital structure of firms. Are partnerships several hundred strong becoming too unwieldy? Will they be able to generate enough finance as they move into more capital intensive activities?

The current crisis over professional indemnity insurance has added spice to the debate. Firms such as Arthur Andersen, Arthur Young and the Irish partnership of Ernst and Whinney have received huge damages claims of £100m or more in recent months, and there is mounting concern over the possible consequences should these or future claims prove successful in the courts.

One immediate effect has been a massive escalation of rates for professional indemnity insurance. This is by no means confined to accountancy—it also affects many other professionals such as lawyers and consulting engineers—but accountants are in the front line.

Firms report that insurance premiums have soared this year by a factor of two or three times. Perhaps more seriously, limits on cover are being applied. According to one of the biggest firms, it was covered for more than $200m on individual claims last year but on renewal it has faced a limit of $125m on each claim and $250m overall. Beyond this, cover is not available at any price.

Not only might a big legal award put a firm out of business, but the individual partners would be bankrupted. Under institute rules they would then be disqualified from membership and would be forced out of the profession entirely.

Against this background a sub-group at the English Institute of Chartered Accountants has been preparing a draft submission on incorporation, and this has now been passed on to a higher committee. According to Mr Mike Blackburn, the managing partner of Touche Ross who is chairman of the sub-group, the submission may be considered by the institute's Council next month.

"I am in favour of the ability to incorporate," he says, though he accepts that opinion in the profession is divided, and in any cases changes would require alterations in both the institute's by-laws and the companies acts.

Recently firms such as Deloitte Haskins and Sells, Coopers and Lybrand and Arthur Andersen have talked positively about the possibility of incorporation with limited liability, but Peat Marwick, Ernst and Whinney and Price Waterhouse are among those whose leading partners have expressed more scepticism.

Much of the criticism is based on arguments that incorporation is not seen to be a very effective remedy for the particular problem of high legal claims and inadequate indemnity insurance. Even after incorporation an accountancy company could still be wiped out by a big claim, and the only advantage would be that its leading practitioners could move on to practice elsewhere.

There would also be a substantial immediate cost from incorporation in that partners would be liable to pay 10 per cent national insurance contributions on their salaries on becoming employees—and their income tax, which at present is a major source of working capital, would have to be paid much more promptly.

Many accountants would prefer some kind of claim limitation route as a more specific answer to the rising tide of damages. A ceiling would be applied to claims, perhaps on the basis of a multiple of the audit fee. But it is far from clear how this could be arrived at in law.

There is, however, much more than the indemnity issue behind the pressure for incorporation. The partnership structure is ideal for small teams of professionals working in limited business areas, but becomes progressively less suitable as they grow bigger and more diversified.

Already the big firms have adoped more or less a corporate structure, with "chairmen," "managing directors" and boards of representative partner-directors.

As they transform themselves from accountancy firms into multi-disciplinary groups, including computer specialists, lawyers, engineers and investment experts, they are having to invent artificial structures to get around the institute rule that only chartered accountants can be partners.

At Deloittes, for instance, one of the firms which is sympathetic to incorporation, some 15 per cent of the 260 or so partners are non-accountants

Moreover, senior accountants are aware that in other areas of the services sector—like stockbroking, advertising and public relations—professionals have been able to make substantial capital sums by developing businesses and either floating them on the stock market or selling them to bigger companies.

As things stand, accountants can earn reasonable incomes but cannot create capital. The big firms fear that this may make them less attractive to the brightest and most ambitious youngsters.

Another argument is that the accountancy firms are being increasingly limited by their inability to raise external capital, apart from restricted amounts of debt. So long as they were confined mainly to auditing this scarcely mattered. But they are now fast developing in newer activities which need more capital.

The debate over incorporation raises basic issues about professionalism and the independence of the auditor. For that reason, it is bound to prove controversial.

But Mike Blackburn believes that appropriate safeguards can be introduced—"I personally would be in favour of laying down strict rules about how outside capital could be introduced," he says. The type of capital which could be raised, and the composition of boards of directors, would be carefully controlled. There would be no stock market listings.

Accountancy 3

Larger firms discover a promising hunting ground

Small business sector

WILLIAM DAWKINS

BRITAIN'S large accountancy firms are attempting to make inroads into the small company sector with unprecedented enthusiasm.

The spectacular growth of both the Unlisted Securities Market and the private venture capital industry in recent years has transformed the sector—and the larger firms' attitudes to it have changed accordingly.

No longer is it seen as an area ripe for little more than routine statutory compliance work; a fact which is underlined by the present fierce debate over whether or not small businesses should be required to submit to the statutory annual audit.

Most big accountancy firms now see the small business sector as one in which they can parade their most interesting and profitable services, including assistance with preparing business plans, refining management information, consultancy and directing clients towards sources of investment.

At a time when new corporate clients are difficult to attract, the small business sector is seen as a fertile ground for cultivating contacts which could grow into the big fee-earners of the next decade.

The large accountancy firms' desire to expand into the small business sector—where they are using all their advertising and promotional skill to make a marketing impact—poses a considerable commercial threat to the small and medium-sized practice. Medium-sized firms now complain that their largest counterparts are looking for audits down to the £5,000 fee level, instead of staying safely above £50,000, as was the case a few years ago.

One expression of the medium-sized firms' anxieties was the recent announcement of plans to form a trade body, to be known as the Association of Practising Accountants, to counter the commercial threat from large firms. The association, which is expected to have a membership of several hundred practices, is open to firms of certified as well as chartered accountants.

The firms involved in the plans were due to present a report to the Institute of Chartered Accountants in England and Wales (ICAEW) this autumn. Their ideas will be highly relevant to an imminent report of a working party on the institute's structure.

The debate over what kinds of services different levels of the profession are best equipped to provide to small businesses was further intensified in June with the publication of a Department of Trade and Industry consultative document on Accounting and Audit Requirements for Small Firms.

Red tape

Its suggestion that the compusory audit for small companies might be abolished is part of the Government's drive to reduce the official red tape which it fears is choking the growth of the small business sector. The document, however, has stirred up considerable controversy within the accountancy profession.

Indeed, it has polarised the accountancy world at all levels, producing entirely unexpected reactions from some quarters and leaving big firms just as divided over the issue as small practices.

The ICAEW, the biggest accountancy body in Britain, announced last month that it believed that the audit should be voluntary, subject to safeguards to protect minority shareholders.

"The audit has never been more important as a protection to shareholders. But when all shareholders so agree, it should not be legally required for small business," said Mr Brian Jenkins, the institute's president.

"Our members provide a range of vital services to small companies and play a key role in promoting the growth of the small business sector. They do not need to rely on the law for this work," said Mr Jenkines.

One of the more surprising supporters of the institute's stance is Thornton Baker, an accountancy firm well known for its extensive small business client base. The firm says small companies should be allowed to opt out of statutory audits subject to a unanimous shareholders' agreement. With its network of 60 offices nationwide, it might be expected to oppose change for the sake of the income derived from its many small clients.

Yet Thornton Baker argues in its submission to the department that "the annual accounts currently produced for Companies Acts' purposes fulfil no useful role. Regular management accounts are much more useful than statutory ones for small shareholder-managed companies and contain more up-to-date information for creditors and bank lenders, argues the firm.

It proposes that small companies which vote themselves out of statutory audit requirements should instead be compelled "to file, within three months of the year end, an annual return, including basic financial information, prepared by an independent qualified accountant and confirmed by the directors. This would provide, promptly and cost-effectively, useful and credible information."

The firm also suggests that the Government should reduce the penalties of disincorporation; a strong theme running through the reactions of many firms who feel that too many businesses are stuck with corporate status when they are either too small or have too few shareholders to make their accounts of more than very limited use.

Any incorporated company that wishes to turn itself into a partnership has, under present rules, to sell its assets back to the people who run it and then buy back its own shares. The curious consequence of that is the the proprietors often end up paying Capital Gains Tax twice for what is, in logic but not law, one transaction.

Several accountanucy institutes and many firms disagree with the ICAEW response to the department's paper. Among the arguments put forward for retaining audits is that they provide an independent check of great value to banks, investors and creditors—"It's a bit like having an umpire at cricket," says one accountant.

The Chartered Association of Certified Accountants, for instance, argues that audit fees represent an insignificant burden and that the cost is outweighed by the benefit. The Irish Institute of Chartered Accountants would also like to keep audits, but the Scottish institute says they should be voluntary and certainly so for small companies 75 per cent owned by their directors.

The Institute of Cost and Management Accountants takes a similar line to the Scottish body, but emphasises the need to protect minority shareholders. It goes for optional audits for small and medium sized companies, but with a 35 per cent shareholder vote required to force the directors to have an audit.

Firms such as Touche Ross, Arthur Andersen and Stoy Hayward stand in the forefront of the audit liberalisation lobby—Accountants would also like to see safeguards for minorities. A common theme in their arguments is that compulsory audits actually reduce the scope for selling other services and that small business clients could more usefully spend their audit bills on functions like business advice and consultancy; services which they have been marketing aggressively to the small business sector.

Growing volume of business

Public sector services

LEON HOPKINS

UNTIL RECENTLY the success of the accountancy profession in penetrating most areas of business was not reflected in the public sector in Britain.

The numbers of accountants working in and for government are still tiny compared with the importance of the sector, although more accountants and accountancy firms are steadily becoming more involved.

Two key reasons for this development are the profession's own push into new markets and the present Government's determined attempt to introduce competitive pressures and tighter financial controls in all areas.

The large accountancy firms —geared for growth but facing strong competition in traditional audit markets—have for some time viewed the public sector as a mouthwatering prospect for new work. They were delighted therefore when the 1982 Local Government Finance Act established the Audit Commission and set the stage for a major entry by the larger firms into the local government audit market in England (in Scotland private sector firms were already involved).

Today around one third of the 450 or more audit appointments made by the Audit Commission are in the hands of private sector firms. The division between the 13 firms involved is not equal—for example, Price Waterhouse, Huddersfield-based Armitage & Norton, Coopers & Lybrand and Deloitte Haskins & Sells take the lion's share of the appointments.

Mr John Banham, the Commission's Audit Controller, says the involvement of private sector firms in the local authority audit market has been a success. Competition between the firms and between the private sector and the Audit Commission's own District Audit Service, has kept all parties on their toes both as regards fees and performance.

Surveys conducted by the Commission show that most authorities with private sector auditors express satisfaction with the service they are receiving. But, says Mr Banham, the accountancy firms are at their best in the area of stewardship-checking and reporting. They are at their worst in the area of value for money—a special strength of the "rejuvenated" District Audit Service which has more experience in this area and which is flourishing in a new incentive scheme for employees.

Both private and public sectors can learn from each other, says Mr Banham. With procedures aimed at identifying savings or value improvements of 10 times the audit fee, the opportunity to gain experience in methods which add value to audit work is perhaps one reason for the enthusiasm of firms to become involved in local authority audits, he believes.

The initial Audit Commission appointments, finalised in early 1984, were for a period of five to seven years. There has been speculation that further private sector appointments might be made but Mr Banham says he would be surprised if there were changes before three years are up.

A new element of competition has also been introduced into the area of nationalised industry audits. Here the UK Government has adopted a policy of putting appointments out to tender. Coming out best from this so far has been Ernst and Whinney, which has retained its audit of National Bus and gained the audits of the Post Office (an appointment formerly held by Touche Ross), and the National Coal Board. The latter appointment had been held by KMG Thomson McLintock since nationalisation. The Post Office and Coal Board audits are together worth £750,000 a year in fees.

These changes put Deloitte Haskins and Sells and Ernst and Whinney as the two leaders in the nationalised industry audit market, closely followed by Coopers and Lybrand, Peat Marwick Mitchell and Price Waterhouse.

Although audit appointments are the most visible evidence from the firms of their keenness for public sector work — many thousands of pounds are often spent on competitive tenders — it is the less visible consultancy market which has seen the most growth recently.

While the number of nationalised industry and local authority audit appointments available to the private sector market will remain relatively fixed, the amount of consultancy and other special work is likely to go on increasing, at least while the present Government remains in office.

All the major firms have gained a share of the work. It covers a wide range including projects on the privatisation of nationalised industries, special investigations of concerns in which the Government has a financial stake, and work on improving the efficiency and effectiveness within Government departments.

Figures are not available, but most in the market concede that Coopers and Lybrand is the market leader in the area although other major firms all have taken a share.

Among the work won by Touche Ross, for example, is preparation for the privatisation of British Gas—"We are strong in the area of privatisation," says Mr Brian Pomeroy who heads Touche's public sector consultancy group. Peat Marwick Mitchell was probably the first firm to undertake major value for money work when completing assignments with the BBC and the Atomic Energy Authority, claimed Mr Alan Hardcastle, chairman of the firm's public sector group. It has also had a share of the privatisation work with its Enterprise Oil appointment.

Arthur Andersen—which has just announced a new public sector financial management award in co-operation with CIPRA—has undertaken major projects for the Department of Health and Social Security and for the Director of Public Prosecutions on arrangements for the new Crown prosecution service due to start in 1986.

Price Waterhouse is undertaking consultancy work in the Health Service and for British Rail and the Post Office. With 350 people involved in its consultancy, the firm rates itself as one of the largest.

The need for help with installation of systems taking advantage of information technology has been one source of consultancy work — and a market that is likely to increase as the speed of development increases, while the Government's Financial Management Initiative is another.

The public and private interface

THE Chartered Association of Certified Accountants, which has 18 per cent of its UK membership employed in the public sector, and its own local authority and health service societies, has a heavy research programme linked to local and central government reporting needs.

Last year the association produced a much-praised report on the structure and form of government expenditure reports, based on research conducted by Mr Andrew Likierman of the London Business School.

The association has followed this with further publications on central and local government accounting and is about to fund a £20,000 research project on strategic management information in local authorities. Apart from the Chartered Institute of Public Finance and Accountancy, the association is the only accountancy body which examines its students on public sector accounting.

The one area of the public sector where the accountancy profession has for many years had a significant presence is in local government. Here members of the 9,000 strong CIPFA predominate.

With their renewed interest in gaining work in areas where CIPFA members have particular expertise and experience, the larger accountancy firms have been seeking their services. And it is perhaps with this in mind that a merger between CIPFA and the Institute of Chartered

CONTINUED ON NEXT PAGE

Accountancy 4

Numbers of UK liquidations continue to hit fresh peaks.

New Act marks watershed year

Insolvency specialists

TIM DICKSON

INSOLVENCY specialists will undoubtedly look back on 1985 as a major watershed. After all, Britain's Insolvency Act, which finally received the Royal Assent at the end of October, repeals some bits of legislation dating back to the 19th century and brings together a body of new laws which according to one observer, "practitioners could be stuck with for the next 100 years."

Among its clauses the Act provides for the first time for the licensing of insolvency practitioners, for the disqualification of company directors found unfit to manage, for the personal liability of directors who allow insolvent companies to continue trading, and for a new "Administration" procedure for businesses close to insolvency (which has been compared with the Chapter 11 bankruptcy laws in the US).

Whilst these proposals have inevitably dominated the thinking of insolvency specialists over the past 12 months, life has also been busy in the "real" world of liquidations and receiverships.

Admittedly the actual number of receiverships in the first nine months of 1985 were down on the equivalent period in 1984 and the current Gomba receivership notwithstanding there have been relatively few large corporate casualties thus far in 1985 by comparison with the spectacular collapses of three to four years ago. Figures from Dun and Bradstreet, on the other hand (see table), show that *numbers* of liquidations continue to hit new peaks whilst the big accountancy firms say there has been no let up in the demand for their insolvency services.

"In spite of the fact that we have been coming out of the recession, large numbers of companies are still getting into trouble," reports Mr Guy Parsons of Peat Marwick, Mitchell.

"Companies are getting crushed by competition now just as often as they were when the economy generally was weaker. Just look at personal computers, for example, or the minnows in the travel trade. We can see our insolvency business continuing at the same level for some time." A common experience is that larger numbers of small businesses are collapsing, including many started at the depths of the recession with the proceeds of redundancy money as well as established businesses which survived the worst of the downturn only to find themselves too weak to take advantage of the recovery. "I think the number of insolvencies will remain pretty consistent," says Keith Goodman of Leonard Curtis. "There have been fewer receiverships only because the banks are not keen for political reason to be seen to be pulling the plug."

Another practitioner adds ominously: "There are still as many companies as ever in the banks' intensive care units."

With the big accountancy firms' insolvency departments now substantial fee earners in their own right—Deloitte, Haskins and Sells, for example, recently disclosed that it earned £4.7m in 1984/85 representing almost 6 per cent of total fees billed—there is obviously a danger that the bubble could burst. But at the moment this seems far from most people's minds. Some insolvency teams in any case work alongside their firm's investigating accountants—implying that the skills are readily transferrable—and regular monitoring and advice is always required by the banks for companies in "intensive care."

"In any event," comments one accountant, "the people in our insolvency department are experienced in all aspects of corporate finance: mergers, acquisitions and corporate funding. If there is a downturn in our insolvency business they can turn their hand to something else. The difference between buying and selling a company is only the difference between two sides of the same coin."

Insolvency practitioners' chirpy confidence that economic prosperity is not about to put them out of business, however, is not mirrored in the profession's attitude to the 1985 Insolvency Act.

Despite hundreds of hours of Parliamentary time throughout this year and more than 1,200 amendments (including three Government defeats), accountants remain apprehensive about the practical consequences of the legislation. This is partly (as some see it) the result of poor drafting and partly because the detailed rules accompanying the Act (on which much depends and about which incidentally there will be no public debate) will not be published until next spring.

"We view the Act as a significant advance," concedes Mr Adamson, a senior insolvency partner at Arthur Young McClelland Moores and a spokesman for the Insolvency Practitioners Association. "But until we know what the rules are we will remain uncertain as to how things will work out in practice."

Sceptics

Acknowledging the sceptics in the profession, Mr Nigel Hamilton, a partner in Ernst and Whinney, believes that "the time for making representations is over.

"It is now up to practitioners to try and make the legislation work. Only if that is found to be impossible should people start talking about further amendments."

The major areas of the Act which will affect accountants are as follows:

● **Licensing.** At the moment, anyone can set himself up as a liquidator, however ill-qualified or dishonest. The purpose of the Act is to outlaw the so-called "rogue" liquidators who irresponsibly approach companies in distress and encourage them to wind the business up, thereby effectively walking off with creditors' funds.

At this stage, it is not clear who will do the licensing though discussions are under way between the Government, the chartered accountancy bodies, the IPA and others to agree a list of suitable licensing authorities.

There will probably to be a two to three year transition stage as examination procedures and codes of conduct are introduced.

● **Disqualification of unfit directors personal liability of negligent directors.** These penalties—as outlined in sections 12 to 19 of the Act—have been the subject of some of the fiercest lobbying of the Bill. Indeed, there are still fears that honest directors may be deterred by the penalties from helping a company which gets into trouble.

Until a body of case law is established it is difficult to predict how insolvency practitioners (on whom the onus will rest to make applications to a court for disqualification and wrongful trading) will respond to the legislation.

Mark Homan of Price Waterhouse is not alone in hoping that where disqualification is at issue the forthcoming rules "will make adequate provision for the cost of the report required from the practitioner. "We are concerned that the cost should not in effect become a tax upon the creditors, particularly in cases where the cost may be disproportionate in relation to the funds in the estate."

● **Administration:** The new role of Administrator has been compared with the Chapter 11 bankruptcy provisions in the US. But while both are designed for companies close to insolvency as a means of reordering their affairs and (if successful) surviving as a going concern, the Administrator will be an independent outside "trustee"—in "Chapter 11" the directors continue to run the company themselves.

The key question is how widely Administration orders will be used. Many believe petitions for an administrator will simply encourage banks as debenture holders to appoint receivers more quickly than they would otherwise have done, thereby safeguarding the security for their loans. AYMM's Mr Adamson says: "I greatly welcome this bit of the Act, but it is difficult to say how much it will be used. The Administrator could play a positive role by preventing certain receiverships and liquidations."

UK business failures

	Company liquidations	Bankruptcies	Receiverships
1981	8,227	4,976	—
1982	11,131	5,436	3,438
1983	12,466	6,821	2,252
1984	13,647	8,035	1,863
1985	10,949†	5,041†	925*
	(9,950)	(6,297)	

* First six months.
† First nine months (first nine months of 1984 in parentheses).
Source: Dun and Bradstreet.

Receivership appointments

● Figures for the first six months of 1985 in the UK:

	No.	% of total
Thornton Baker ...	95	10.6
Cork Gully and Coopers & Lybrand ...	89	9.9
Peat Marwick ...	86	9.6
Deloitte Haskins ...	60	6.7
Ernst and Whinney	57	6.3
Arthur Andersen ...	43	4.8
Thomson McLintock	42	4.6
Touche Ross ...	40	4.4
Arthur Young ...	33	3.6
Price Waterhouse...	32	3.5
Stoy Hayward ...	20	2.2
Leonard Curtis ...	17	1.8
Robson Rhodes ...	16	1.7
Spicer and Pegler...	12	1.3
Pannel Kerr ...	11	1.2
Hacker Young ...	10	1.1
McIntyre Hudson...	8	0.8
Others ...	254	28.3
Total ...	925	

Source: Dun and Bradstreet.

The public sector

CONTINUED FROM PREVIOUS PAGE

Accountants in England and Wales was muted last year .

Although heralded with much enthusiasm, the move fizzled out before being put to members. However, some closer links look likely to emerge.

"We have grown up in our conversations," says the CIPFA director, Mr Noel Hepworth. "Merger would mean totally unacceptable compromises. So we are looking at areas of increased co-operation."

Mr John Varne, secretary of the English Institute—the largest of the accountancy bodies with over 80,000 members 1,000 of whom work in the public sector—takes a similar line—"We are talking of a growing together rather than a merger. You could think equally in terms of a federation or some other structure," he says.

It is very likely that whatever the outcome of the friendship between the English Institute and CIPFA, all the accountancy bodies and the major accounting firms will, for the time being, continue to give the public sector top priority.

There are dangers involved. The level of work could diminish with a change of Government — although many predict that this will not be the case. Meanwhile, accountants who sign reports commissioned to elicit financial advice and information on sensitive public topics run the risk of being seen as politically motivated. The firms themselves are aware of the problem and insist that their independence is their safeguard. But this has not stopped reports commissioned, for example, on the financial consequences of the abolition of the metropolitan counties being used to score political points.

There is also the danger of competence. Those in the field know full well that the blind *application of private sector* answers to public sector problems is not a solution. And yet they are moving in new areas, using new techniques and developing needed experience.

The market is large, however, with a period of change in methods of government accounting now underway, it seems accountants will become increasingly involved in the public sector.

Demand grows for multi-task computer systems

Accountancy software

KEVIN TOWNSEND

ACCOUNTANCY HAS long been the mainstay of the UK software industry. It was one of the first of the commercial applications (along with payroll) to be computerised, and it has remained one of the most popular of software packages.

The reasons for this popularity are simple: on the one hand, accountancy has strict and formal rules that lend themselves to computer programs; while on the other hand, the company accountant is more able to justify the capital cost of computer equipment than any other company manager.

These factors, coupled with the tendency of successive governments to keep changing the rules, have ensured a continuously healthy accounting software industry.

The upshot is that there is a strong, but in some respects aging, tradition of computerised accountancy in the UK. Many of the larger companies, for example, still use software techniques that today's micro-based users have never experienced—such as "batch processing" (classic batch processing would involve overnight updating of all the entries made during the previous day).

Emphasis

But the demands of modern accountancy with international corporations and worldwide instant telecommunications cannot be met by batch processing. As Howard Exton-Smith, marketing manager for RTZ Computer Services, comments: "The emphasis has shifted from bean counting to management information and reporting."

Management reporting must be made on today's figures, not yesterday's—and this explains one of the most important of current trends: away from batch towards "real time systems," where records are updated immediately.

This is only one of many trends that can be seen in current accounting software, but before examining some of the others, one should first make the distinction between the two types of accountant: company and practising.

The company accountant performs the accounting function for his own company; the practising accountant performs statutory accounting requirements for other companies. The requirements are different, and both requirements are changing. The smaller, and perhaps more specialist of the two markets, is the "practising *accountant*"—*for which there* are, perhaps, half-a-dozen leading suppliers.

Computerised Business Systems (CBSL) is one of the primary suppliers in this market, which, despite the problems elsewhere in the computer sector, can only be described as "buoyant."

CBSL reported a record turnover in the year ending March 1985—with the first six months of the current year running at 15 per cent ahead of the comparable period of that year. Mr Ian Monro, CBSL's managing director, believes that this is due to an increasingly competitive marketplace. Practising accountants can no longer think of a number and multiply it by 10 to find their fees, but are even being asked to tender for the larger jobs, and quote their fees in advance. And, of course, in order to compete in this market, the practising accountant needs to call on an ever larger array of software tools.

The accountant, says Mr Monro, is becoming increasingly interested in networking, multi-user and multi-tasking systems, and integrated personal computing.

Personal computing brings us neatly to the larger market of in-house company accounting. As Mr Gerry O'Keefe, sales manager at leading UK software house Hoskyns, comments: "The PC did for computing what Henry Ford did for the motor car"—it popularised it, removed the mystique, and brought it within the price range of "ordinary people." The microcomputer has allowed more small companies to computerise their business than any other single technological development. But the PC cannot handle the accounting requirements of the larger company. The mainframe, with its greater power and storage capabilities nevertheless, remains the principal receptacle of corporate operating data.

This produces a curious anomaly—"The practical requirement for the larger organisation," says Mr Alain Mordain, managing director of Quality Software Products (QSP), "is for micro-like friendliness and convenience from a true real-time accounting mainframe computer system."

QSP provides such a solution with its OLAS product range—but there are other solutions. One of the most obvious, of course, is to provide the "micro-like friendliness" via actual micros attached to the corporate mainframe; and one example of this approach can be found at the practising accountants Deloitte Haskins and Sells.

Deloitte Haskins and Sells uses ICL's intelligent OPD workstations (a cross between computerised telephone systems and highly communicative computer systems) to provide that user-friendliness. The traditional PC strengths are provided by the software supplied with the OPD: Psion's Xchange.

This comprises the four basic elements of office automation software: word processing, spreadsheet, database and business graphics, linked together in an integrated and pseudo multi-tasking manner.

Full multi-tasking is probably the greatest single trend in current software for accountants. This, combined with the *moves towards "real time"* systems, shows the way forward. However, it is only now that PCs can handle the special demands of such software.

This has happened with the arrival of 16-bit and 32-bit microprocessors, and multitasking operating systems such as Unix and Concurrent CP/M. The main point about multitasking, or concurrent, software is that it facilitates integrating the traditional accounting functions with the more recent demands for management reporting. The accountant can, for example, choose his own favourite spreadsheet (say, Multiplan, or SuperCalc, or 1-2-3) and produce quick projections for the managing director without necessarily closing down the accounting package itself.

There is, however, another new trend emerging: accounting packages written in Fourth Generating Languages (4GL).

4GLs are an attempt to make programming so easy that the end-user businessman can do it himself. What usually happens is that the supplier produces 80 per cent of a software solution using a 4GL, and the end-user then tailors the package to suit his own requirements. This approach is necessary where package software fails to meet the individual and specific needs of different customers, and where the needs themselves are frequently changing—and both of these conditions occur in accounting software.

Despite all the various new moves in accounting software, analysts can summarise the trends quite succinctly—for these trends are all being driven by the market requirements. Mr David Allen, managing director of Allen Computers and suppliers of the new Sovereign accounts package, explains: "The role of the accountant is changing. He is no longer purely a record-keeper, but also an information provider. Accounting software should, therefore, reflect this change of emphasis by not only performing all of the necessary accounting functions, but also enabling the accountant to provide the information needed to support management decisions." This is being provided by real-time, multi-user, multi-tasking integrated systems — with a dash of fourth generation languages.

INTERNATIONAL APPOINTMENTS

Time restructures to tighten control

BY WILLIAM HALL IN NEW YORK

AFTER YEARS of rapid growth of the big US publishing and entertainment group, TIME'S earnings have been flat this year, making the company vulnerable to a hostile takeover, say some analysts.

In a bid to cut costs, Mr Richard Munro, Time's chief executive, sent a memorandum to the group's 20,000 staff last month saying that "habits that inflict unnecessary expense need to be broken." Time has denied that the restructuring of the magazine operations is part of Mr Munro's cost cutting initiative.

Three senior executives have resigned as part of this restructuring, stated to be designed to tighten control over the group's fast-growing magazine operations.

Mr Philip G. Howlett and Mr James O. Heyworth, the two senior vice presidents of the magazine group, and Mr James J. McCluskey, director of corporate manufacturing and development, have given up their positions. Mr Howlett and Mr McCluskey have taken early retirement and Mr Heyworth's job has been eliminated.

Under the new management structure, Mr Kelso Sutton aged 46, the present head of Time Magazines, has been named president and chief executive of the magazine group. The other members of the four-man executive team running Time's magazines are Mr S. Christopher Meigher III, 39, the publisher of People, and Mr Robert L. Miller, 36, publisher of Sports Illustrated. They have been named group publishers.

Mr Meigher will be responsible for Time, Fortune, Money and Southern Progress, and Mr Miller will be responsible for People, Sports Illustrated, Life and Discover. Mr John T. Howard, 39, financial director, has been named chief financial officer.

Mr John A. Meyers, 56, the publisher of Time Magazine since 1978, has been made chairman of the magazine group and senior adviser to Mr Sutton. The corporate manufacturing and distribution operation will report to Mr Miller and the human resources operation to Mr Meigher.

Among the other changes announced, Mr Richard B. Thomas, 54, the worldwide advertising director of Time, becomes the magazine's publisher, and Mr Donald B. Elliman, 41, Time International publishing director, becomes publisher of People Magazine. The new publisher of Sports Illustrated is Mr Donald Barr, 50.

President for Japan's largest investment bank

For the first time in its 60 year history NOMURA SECURITIES CO will have one of the youngest investment bankers leading the company as its president. Japan's largest investment banking firm has named 52-year-old Mr Yoshihisa Tabuchi as president. He succeeds Mr Setsuya Tabuchi—no relation—who becomes chairman. Mr Munetada Kurata, chairman, will become a senior advisor joining Mr Minoru Segawa, former Nomura head, in this honorary post. Mr Masanori Ito, vice chairman, was named president of a new Nomura Group affiliate, Nomura China Investment Company, and continues as senior advisor of Nomura Securities.

Mr Yoshio Terasawa, executive managing director of Nomura and chairman of Nomura Securities International, the American affiliate with headquarters in New York, has been promoted to executive vice president in charge of the parent company's US, Great Britain and European operations. He continues as chairman of the US affiliate.

Mr S. Tabuchi, the new chairman, has been credited with the company's strong growth especially over the past seven years. Mr Y. Tabuchi, the new president, has a well-rounded investment banking background, having served in customer sales planning, corporate finance and institutional investments. He is currently in charge of international finance and bond trading. Mr Terasawa was the first Japanese to become a member of the New York and Boston Stock Exchanges in 1981 and 1969 respectively.

Mobil reorganisation

In New York the MOBIL CORP has announced several organisational changes that will become effective on February 1 when the president, Mr Allen E. Murray, assumes the additional duties of chairman and chief executive officer. The Montgomery Ward president Mr Bernard F. Brennan, will report directly to Mr Murray.

The company said Mr Robert G. Weeks, Mobil Oil Corp's executive vice president for US marketing and refining, will be proposed for election as vice president of Mobil Corp, with responsibility for Container ... Mobil Chemical and Mobil Mining and Minerals Co.

Mr Andrew L. Gaboriault, associate general counsel, will be proposed for election as vice president administration of Mobil Corp with responsibility for employee relations, corporate secretary's functions, aircraft operations and co-ordination assistance for Montgomery Ward.

With this restructuring, the company said, the position of president of Mobil Diversified Businesses will no longer exist. A spokesman said the only person who ever filled the position was Mr Richard F. Tucker, who has become president and chief operating officer of Mobil Oil.

Changes in Canadian financial markets

Mr John A. Vivash vice-president of Canadian brokers Midland Doherty in Toronto, has been named to the board of the INTERNATIONAL OPTIONS CLEARING CORPORATION. He will act on the board as a representative of the Vancouver Stock Exchange. I.O.C.C. is the clearing corporation which processes and guarantees precious metal and currency options traded on the Vancouver Stock Exchange, Sydney Stock Exchange, European Options Exchange (Amsterdam) and Montreal Exchange. The commodity options are traded on a virtual 24 hour common and continuous global market which links the four participating exchanges. Mr Vivash replaces Mr Vince Catalano of Canadian brokers Richardson Greenshields of Canada, Winnipeg. Mr Vivash is immediate past chairman of Trans Canada Options, the national clearing corporation for equity options, of which the VSE is a one-third partner with Toronto and Montreal.

On the VANCOUVER STOCK EXCHANGE Mr Alfred T. M. Woo has been appointed vice-president of listings. He will replace Mr Douglas R. Garrod who returned to private legal practice earlier this month. Mr Woo is currently deputy director, enforcement with the Alberta Securities Commission in Edmonton.

MOVES IN BRIEF

Japanese oil company posts

Mr Yoshiro Nakayama, 71, president of Daikyo Oil Co, will assume the presidency of the new COSMO OIL Co, to be formed next April 1 jointly with Maruzen Oil Co and the present Cosmo Oil Co. Mr Masahiko Shima, 62, president of Maruzen Oil Co, will be named board chairman of the new company with the right to represent the company. Mr Nakayama concurrently heads the present Cosmo Oil Co. These appointments will be formalised at board meetings of Daikyo Oil and Maruzen Oil after the two companies' extraordinary stockholders' conventions to be held on December 20 to approve the planned merger of the three companies.

*

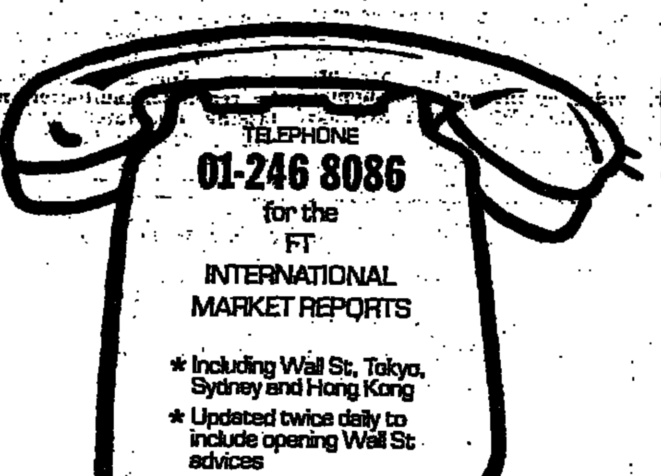
The French shiprepair group, ARNO—ATELIERS REUNIS DU NORD ET DE L'OUEST—has appointed Mr Bernard Lonjon as its international marketing director. His role will be to increase the penetration of the international market for ARNO, which operates six repair yards at Dieppe, Dunkirk, Le Havre, Rouen, Brest and Saint Nazaire/Donges, through direct customer contact and liaison with the company's network of overseas agents. Mr Lonjon comes to ARNO after having spent three years in charge of sales and marketing for the carbon division of Pechiney Ugine Kuhlmann in Paris.

*

Mr Andreas Reinhart has acquired a majority of the share capital of VOLKART BROTHERS HOLDING, the Swiss international trading house. He is to succeed Mr Peter Zurschmiede as chairman and president of the Winterthur-based company. Mr Zurschmiede will retire.

*

Mr Jack Haggarty joins BSR INTERNATIONAL in Hong Kong as group company secretary following his retirement from the Swire Group. He joined Swires in 1976 as director (finance) before being appointed company secretary, for both the public and private groups.



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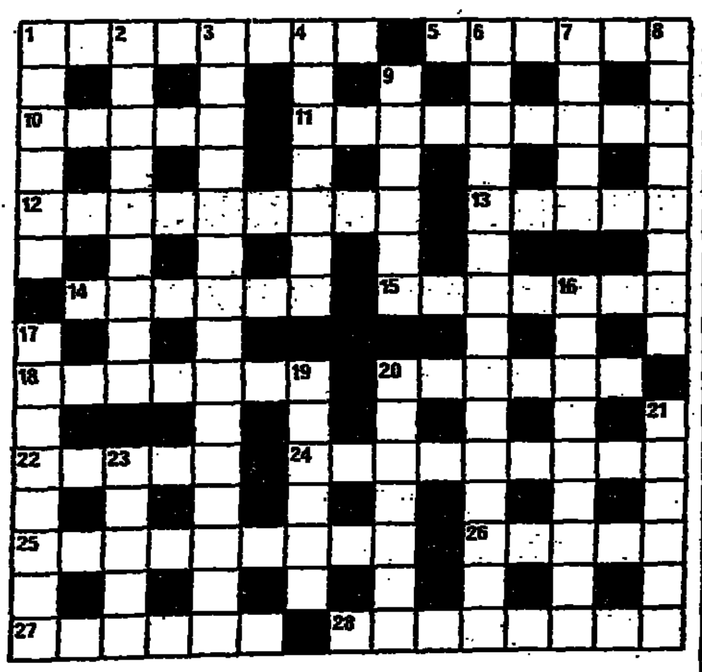

ACROSS

1 Drummer who hopes to gain commission (8)
5 Directions to a famous garden in the country (6)
10 Teacher's pet almost (5)
11 Discipline reposes with soldiers (9)
12 Crazy about Mum, in a manner of speaking (9)
13 Scotch governor? (5)
14 Red Indian who may keep watch for you (6)
15 Dad, after commercial, seen in study, expressionless (4-3)
18 Well content in Wonderland (7)
20 Irishman in a film (6)
22 Booked as a master carpenter (5)
24 Get a sit-in arranged and use provocation (9)
25 But Ivor's going out East to 17 down (9)
26 Land part in "Diamond Lie" (5)
27 Revolutionary artist? (6)
28 Mouth organists? (8)

DOWN

1 Tension in the air (6)
2 Built with care, perhaps, to avoid friction (9)
3 Minimum investment for patrons of the pools (8, 7)
4 Possibly a saint taken to heart by a man like John Paul II (7)
6 Wearing conflicts? (4, 2, 9)
7 Meaning to go with the tide (5)
8 The point of missiles? (4, 4)
9 Possibly deduce it's extracted (6)
16 Beg a strip of land (9)
17 Continue to be stubborn, so cane produced (5, 3)
19 A drink to keep you going (6)
20 A purest sort of milk results from his work (7)
21 Concerning bets on races (6)
23 Finally dig in (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Group changes at George Wimpey

Mr T. S. Ross has been appointed deputy chairman of Wimpey Asphalt and Wimpey Waste Management both wholly-owned subsidiaries of GEORGE WIMPEY. He reports to Mr J. A. Dwyer, chairman of both subsidiaries and managing director of Wimpey Construction UK. Mr J. B. (Brian) White, managing director of Wimpey Asphalt, has taken on additional responsibilities as managing director of Wimpey Hobbs. Mr Richard T. F. McLaughlin, group technical director of George Wimpey, has been appointed a director of Wimpey Offshore Engineers and Constructors. Mr McLaughlin is also a director of Wimpol and Wimpey Laboratories and is a member of the management board of the Severn Tidal Power Group.

*

Mr Robert Jordan, who has been appointed deputy managing director of FOSECO MINSEP, will remain chairman of the Foseco metallurgical chemicals sector.

*

Mr John Lidstone, who becomes chairman of the MANAGEMENT CONSULTANTS ASSOCIATION on January 1, is deputy managing director of Marketing Improvements, the international marketing consultancy and training group. This will be the first time in the 30 year history of the MCA that the chairmanship has been held by a professional marketing man.

*

Mr Vincent Taylor has been appointed a non-executive director of SAGA HOLIDAYS. He is managing director of MacDougalls Advertising in Edinburgh and is chairman and one of the founders of the Tayburn Design Group which operates in both London and Edinburgh.

*

At the annual conference of the UNION OF INDEPENDENT COMPANIES Mr Barry A. Baldwin, a partner of Price Waterhouse, was elected national chairman.

*

Mr Tony Glenn has been promoted from financial controller to group financial director of the EDMAN COMMUNICATIONS GROUP. He will also become a member of the group board.

*

ABITIBI-PRICE SALES COMPANY announce the appointment, from January 1, of Mr Charles P. Harvey as director of sales (newsprint).

*

Mr R. M. Rowley has been appointed managing director of REED PLASTIC CONTAINERS, a division of Reed International Packaging Group. Mr Rowley was previously managing director of Reed Plastic Packaging.

*

SECURITY PACIFIC, international merchant banking unit of Security Pacific Corporation, one of the largest US bank holding companies, has appointed Mr John Langton, formerly head of sales and trading of Orion Royal Bank, as a director and head of Euro-securities sales and trading activities. He brings three key merchant bankers from Orion with him. Mr Thomas Blanchfield will join Security Pacific as head of risk management; Mr Barry Langley as head of sales division; and Mr Michael Cole as a senior trader.

*

Mr William Spartin has been appointed managing director of MSL GROUP INTERNATIONAL.

*

HILL SAMUEL SHIPPING HOLDINGS has appointed Mr M. J. Steele managing director of Wallem & Co, the controlling company of the group's Hong Kong based shipping services operations. Mr P. F. Crossley has been made managing director of Lambert Brothers Shipping, the controlling company of the group's UK based shipping services operations. Mr Steele, who will continue as managing director of Wallem Shipmanagement, will succeed Mr D. O. Kinloch as managing director of Wallem & Co on January 1. After spending most of the last 17 years in Hong Kong, Mr Kinloch has decided to return to the UK where he will be joining the board of a London-based investment group. Mr Crossley, who will continue as managing director of Lambert Brothers Shipbroking, will succeed Mr J. M. Toogood as managing director of Lambert Brothers Shipping. Mr Toogood has been acting both as chief executive of Hill Samuel Shipping Holdings and as managing director of Lambert Brothers Shipping. He will in future be concentrating his efforts on the direction and development of the group.

*

Mr Christopher J. Clarke has joined WALLACE, SMITH TRUST CO, as director, strategic finance and planning department. He was director of management consulting with SRI International.

*

The MASSACHUSETTS PORT AUTHORITY has named Mr Graves as its director, Europe, based in the Authority's London office.

*

JOHN STORK & PARTNERS has appointed Mr Carl-Axel Gerdman, Malmö; Mr Francois Grandclande, Paris; and Mr Donald Macleod, London, as partners.

*

Mr John Nosworthy has been appointed director-general of the MACHINE TOOL TRADE ASSOCIATION from February 1. He is director and secretary of the Association of Hydraulic Equipment Manufacturers.

*

EPIGRAM ASSOCIATES has appointed Mr Ian Menzies as financial director. He is a partner in Thornton Baker.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	100.0	106.5	+0.5	1.40
Income & Growth	45.6	48.6	+0.2	3.00
Special Situations	57.3	61.0	+0.3	1.50
American Growth	27.2	28.9	+0.3	1.80
Japan Growth	34.6	37.0	+0.2	—
European Growth	43.8	46.9	+0.4	2.80
UK Growth	42.7	45.7		0.90
Pacific Growth	31.9	34.3	-0.6	2.20
High Income	29.2	31.2	+0.1	7.40
Practical Income Units	44.7	47.3	+0.3	2.70
Practical Accum. Units	79.8	85.0	+0.5	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	69.5	73.9	+0.1	3.33
Accum Units	102.6	109.2	+0.2	3.33
Pearl Inc.	98.1	104.4	+0.5	4.79
Pearl Unit Tst.	104.2	110.9	+0.8	3.79
(Accum. Units)	176.2	187.4	+1.4	3.79

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

Growth	207.8	223.0	+0.4	1.53
Income	152.8	163.7xd	+0.9	5.30
Worldwide Recovery	118.5	127.2	+1.0	2.14
American Growth	56.9	61.1	+0.5	1.1
Intl. Emerging Cos.	61.5	66.0	+0.3	0.75
Far East Growth Fd.	52.1	55.9	-0.6	1.19

Prolific Unit Trusts
22 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc	47.0	50.0	---	5.25
Prolific Far East	112.4	119.6		0.18
Prolific Extra Inc	68.2	72.5	+0.4	5.43
Prolific Convert & Gilt	84.6	89.7xd	+0.2	7.00
Prolific High Inc	144.5	153.2xd	+0.8	4.91
Prolific Intl	88.2	93.9	+1.0	1.61
Prolific N. Amer.	115.7	123.1	+1.4	2.34
Prolific Spec. Sits	160.6	170.3	+1.0	1.31
Prolific Technology	99.2	105.5	+1.4	0.67

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG — 01-749 9111

Japan Inc.	53.9	57.1xd	+0.1	0.21
Japan Acc.	54.0	57.2	+0.1	0.21
Worldwide Inc.	53.6	56.8	+0.2	1.85
Worldwide Acc.	54.2	57.4	+0.3	1.85
European Tst Inc	62.1	65.8xd	+0.7	1.20
European Tst Acc	62.3	66.0	+0.7	1.20
North American Inc.	49.3	52.2	+0.6	2.06
North American Acc	49.3	52.2	+0.6	2.06
UK Equity Inc	56.0	59.3	+0.4	2.93
UK Equity Acc.	56.0	59.3	+0.4	2.93

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377

Holborn Equity Tst.	352.6	375.1xd	+3.0	3.44
Holborn European Trust	56.9	60.5	+0.6	1.06
Holborn Gilt Tst.	157.8	165.1	+0.1	8.02
Holborn High Inc	57.7	61.3	+0.1	6.77
Holborn Intl Growth	70.5	74.9	+1.4	0.70
Holborn Japanese Trust	54.6	58.0	+0.8	0.06
Holborn N. Amer. Trust	53.3	56.6	+1.4	2.16
Holborn Spec Sits	—	50.9		2.50
Holborn UK Growth	69.6	74.0	+0.7	2.93

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

[illegible]

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	233.2	246.7xd	---	3.88
Equity Acc.*	281.2	297.5xd	---	3.88
Fixed Int. Dist.†	114.6	118.7xd	---	11.39
Fixed Int. Acc.†	168.0	174.0xd	---	11.39

*Prices on Nov 18. Next dealing Dec 11
†Prices on Nov 18. Next dealing Dec 4

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 — Dealings to 0264 63432-3

TSB American	95.4	101.5	+1.0	1.36
Do. Accum.	99.3	105.7	+1.1	1.36
TSB Extra Income	91.2	97.1	+0.4	5.84
Do. Accum.	104.9	111.7	+0.4	5.84
TSB General	133.8	142.3	+1.2	3.09
Do. Accum.	216.7	230.5	+1.9	3.09
TSB Gilt & Fixed Int.	46.9	48.9xd	-0.1	9.14
Do. Accum.	58.9	61.4	-0.1	9.14
TSB Income	183.1	194.8	+1.3	4.80
Do. Accum.	276.1	293.8	+1.9	4.60
TSB Pacific	108.5	115.5	+0.4	0.62
Do. Accum.	111.2	118.4	+0.4	0.62
TSB International	242.3	257.8xd	+2.2	1.99
Do. Accum.	297.4	316.4	+2.7	1.99
TSB Natural Resources	42.4	45.2	+0.3	1.88
Do. Accum.	43.3	46.1	+0.3	1.88
TSB Sectd. Opps.	49.8	53.0	+0.1	2.16
Do. Accum.	54.1	57.6	+0.1	2.16

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP — 01-928 3956

Small Co's Fund	66.0	70.2xd	+0.8	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks — (0296) 5941

American Eagle	67.3	72.0	+0.5	0.40
Australia	29.5	31.5	+0.1	0.10
Commodity	79.6	85.4xd	+0.2	2.72

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund NAV | $13.72 | +0.12 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $14.13 | | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech | $11.67 | | —
Dynamic Grth Fd | $10.54 | | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund | $20.11 | 10.73 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.10		—	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.65	8.69	12.73	6mth
7-day Fnd	11.59	8.67	12.70	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.00	8.22	11.99	6-Mth
7-day Fund	11.04	8.25	12.03	6-Mth
Dollar	6.87	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.00	8.00	11.71	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.16	Qtr
Mth. Int. Chq.	11.000	8.22	12.16	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.60	12.78	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.16	Mth
Barclays Prime Account — PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.22	12.3	Qtr
Britannia Investment Services Ltd. — 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.00	8.22	12.20	Mth
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.13	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus	—	9.57	14.28	Mth
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543.				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. ad ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	35	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	180	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brist. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
25 Aug	25 Feb	Exch 11¼pc '86	99[illegible]	19.7	11.75	11.35
11Oct	11Apr	Treas 10pcCnv 1986	99[illegible]	4.9	10.05	11.29
19 Nov	19 May	Treas 3pc 1986	96[illegible]	14.10	3.11	10.69
19 Nov	19 May	Exch 10½pc 1986	99[illegible]	14.10	10.53	11.26
12Dec	12Jun	Treas 12pc 1986	100[illegible]	5.11	11.94	11.12
10 Jan	10 Jul	Treas 8¼pc 1984-86	98[illegible]	3.6	8.63	11.08
29 Apr	29 Oct	Exch 14pc 1986	102[illegible]	23.9	13.67	11.11
21 May	21 Nov	Exch. 2½pc 1986	94[illegible]	15.10	2.64	8.27
22Jul	22Jan	Exch. 13½pc 1987	102[illegible]	17.6	12.97	11.07
10 Aug	10 Feb	Treas 10¼pcCv '87	99[illegible]	4.7	10.33	10.88
24Aug	24Feb	Exch 2½pc 1987	92[illegible]	18.7	2.69	8.60
6Oct	6Apr	Exch. 10½pc 1987	99[illegible]	2.9	10.55	10.82

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F My Au N	Amer Medical Int $1	13¼	8.7	72c	—	3.9
Fb My Ag Nv	American T & T $1	16½	26.3	$1.20	—	5.3
Fb My Ag Nv	Ameritech $1	67[illegible]	—	$6.60	—	7.0
—	Amfach	16[illegible]	16.11	—	—	—
—	AndTech	24[illegible]p	—	—	—	—
Fb My Au N	BankAmerica $1[illegible]	10[illegible]	8.11	80c	—	5.6
Ap Jly Oc Jan	Bankers N Y $10	48[illegible]	28.3	$2.70	—	4.0
Ja Ap Jy Oct	BASIX Corp	631p	13.9	12c	—	1.4
My Au N Fb	Bell Atlantic $1	68¼	27.3	$6.80	—	7.2
Fb My Au N	BellSouth $1	30[illegible]	25.6	$2.80	—	6.5
Mar Jun S D	Beth Steel $8	10[illegible]	4.11	—	—	—
Oc Ja Ap Jy	Bowater Inc.	15[illegible]	4.9	72c	—	3.3
Ja Ap Jly O	Brown'g-Fer 16[illegible]c	40[illegible]	17.9	$1.08	—	1.9
F My Ag N	Brunswick Corpn	28[illegible]	22.10	$1.00	—	2.5
Jan Ap Jly O	CPC Intnl 25c	35[illegible]	25.9	$2.20	—	4.4
Mr Ju Se De	CSX Corp U S $1.00	19[illegible]	21.5	$1.16	—	4.3
Mr Jn Sp Dc	CalFed Inc $1.00	17[illegible]	2.11	32c	—	1.3
Oc Ja Ap Jy	Campbell Soup 30c	32	3.7	$5.00	—	11.3
F My Au N	Caterpillar Tractor	26[illegible]	16.10	50c	—	1.4
—	Cenergy Corp 25c	596p	—	4c	—	0.5
Fb My Ag Nv	Chase M'htn $12.5	43[illegible]	25.10	$3.80	—	6.3
Ap Jy Oc Ja	Chemical New York	28[illegible]	12.3	$2.48	—	6.3
Mar Jun S D	Chesebrough Pond's $1	29[illegible]	29.8	$2.00	—	4.9
Mar Jun S D	Chrysler $6¼	30[illegible]	12.6	$1.00	—	2.4
My Au N F	Citicorp $4	31[illegible]	24.9	$2.26	—	5.1
—	CityFed Fin. Corp.	692p	—	40c	—	4.2
F My Au N	Colgate-P $1	21[illegible]	22.10	$1.36	—	4.6
Mr Ju Se De	Colt Inds. $1	43[illegible]	10.9	$2.50	—	4.1
—	Cont Illinois Corp $1	519p	—	—	—	—
—	Cont Illinois Hldgs $1	52p	3.84	—	—	—
—	Corporate Data Science	59p	—	—	—	—
Dec. Aug	Crown Zell $5	28[illegible]	5.6	$1.00	—	2.6
—	Cullinet Sftwr $0.1	11[illegible]	—	—	—	—

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Aug.	Feb	Cons. Murch. 10c	215	15.7	g086½c	3.9 / 10.5
—		✠Emrez Int. 1r 10p	32	—	—	—
—		✠Greenwich Res	85	—	—	—
Apr	Oct	Hampton Areas 10p	146	29.7	3.75	0.9 / 3.4
—		✠Highwood Res	145	—	—	—
May	Aug	Homestake Mining $1	£16½	30.10	Q20c	— / 0.9
—		✠McFinley Red Lake	210	—	—	—
—		✠Musto Explorations	280	—	—	—
—		✠New Sabina Res C$1	42	—	—	—
—		Northgate C$1	225	9.77	—	—
Jan.	July	RTZ	547	28.10	†20.0	2.8 / 5.2
Jan	July	Do. 9½pcLn '95-2000	£120	28.10	Q9½%	14.0 / 8.2
—		✠Tara Expln $1	880	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	100	....	Fin. 13% 97/02	£104⅝	...
Craig & Rose £1	800	...	Arnotts	225	+5
Finlay Pkg. 5p	51	....	CPI Hldgs	67	..
Holt (Jos) 25p	710	..	Carrol Inds.	148	.
IoM Stm. £1	77	....	Dublin Gas.	77	...
			Hall (R. & H.)	56	+2
IRISH			Heiton Hldgs.	23	+2
Fund 11¾% 1988	£100⅛	—	Irish Ropes.	45	.....
Nat. 9¾% 84/89	£95¼	.	Unidare	132	+2

"Recent Issues" and "Rights" Page 26
(International Edition Page 24)

CONSTRUCTION CONTRACTS

London refurbishment orders for Trollope and Colls

TROLLOPE & COLLS has won over £21m worth of new work Two management fee contracts include an £8.5m refurbishing and fitting out to provide a dealing facility of 480 spaces for Ackroyd Rowe Pitman Mullins at 1, Finsbury Ave. At Queen Victoria St. a £1.1m contract will provide new space for Lloyds Merchant Bank.

Among an increasing number of refurbishing contracts in London are two fitting out projects in the City. One is a £3m contract at stockbroker James Capel & Company's new offices in Bury Court House, and the other is a £250,000 project in which the company are altering two floors at Roman House, Wood Street, providing accommodation for Sanyo International.

Refurbishing contracts in the West End include the £1.5m creation of a new dealing facility for First Interstate Capital Markets, at Agar St. At St James's St, a £1.74m external and internal refurbishment to a 1950's office building for the National Mutual Life Assurance Society involves incorporation of a new design for the St James's St elevation. In Edgware, Trollope & Colls are performing a £425,000 fit out of Camrose and Edgware Houses for BACS, and the company is carrying out general improvement work worth £385,000 at Selkirk House for Trust House Forte in Holborn.

Trollope & Colls has also started work on two construction projects, one of which is the second phase of a five-storey office building at Canary Wharf in the Docklands. This £2.8m project is for accountants Littlejohn de Paula.

In a £1.7m project in which it is providing finance for building costs through its new construction funding programme, Trollope & Colls is erecting a factory and offices for Drayton Paperworks, Sullivan Rd, Fulham. The company is a member of the Trafalgar House Group.

Converting Butlin camp into luxury sports and holiday complex

Building workers have accepted a £6m "beat-the-clock" challenge at the seaside. TARMAC CONSTRUCTION has started work on two contracts to help turn Butlin's holiday camp at Minehead, Somerset, into a luxury holiday centre. "At its peak the work will involve up to 400 men and must be finished by next Easter in time for the holiday season," said contracts manager Mr Peter Baggott, who is based at Tarmac Construction's office in Bristol. The largest contract, at £4.15m, is for refurbishing 487 chalets to provide de-luxe apartments for 1,750 holidaymakers.

A separate contract, worth £2m is for rebuilding a swimming pool and turning it into a water leisure complex. Described as a "unique water playground" it will include three giant flumes — enclosed waterslides — nearly 60 feet high, with varying speed rides. There will also be a leisure pool incorporating many fun features including rapids, whirlpools, underwater geysers and airjets, and a gymnasium. Other new facilities will include a cabaret bar, refurbishment of the main dining room, an extension to the funfair and a 116-site lakeside static caravan park. When it re-opens the centre will have a new name—Somerwest World.

Industrial orders for Eve Construction

EVE CONSTRUCTION has won a batch of orders worth almost £6m. The largest of these, at Unit 1, Europa Trading Estate, Erith, Kent, has been let by Centrovincial Estates. The £2.1m contract involves the construction of a 9,300 square metre warehouse with integral offices.

Two contracts totalling £1.52m, at London Bridge City Development, SE1, have recently started. Both contracts have been placed by St Martins Property Investments through Laing Management Contracting. One of the contracts is in the existing Hays Galleria Warehouse between blocks A and B. The work entails the basement, ground and five upper floors being converted into 28 residential units. The second contract is for the con- which is a low level pedestrian link under St Olaf office block and incorporating "compaveyor" mechanical moving walkways.

At the Esso Petroleum oil terminal, Purfleet, Essex, a £1.2m contract has been received in connection with the Lubes modernisation project. The work includes new buildings, re-cladding a warehouse and ancillary works.

A third contract has been obtained from the GLC for the £600,000 refurbishment of Montfort House, Victoria Park Square, Bethnal Green. Montfort House is a five-storey residential block which will provide 30 two-person flats.

Barracks for US Air Force

Work at RAF Alconbury, near Huntingdon, is among £8.6m worth of contracts won by MOWLEM NORTHERN, in Doncaster.

Valued at £2.4m, the Alconbury contract comprises the demolition of existing barrack blocks and the construction of a two-storey building which will provide accommodation for 162 unaccompanied enlisted personnel. The client is the Property Services Agency on behalf of the US Air Force: work starts this month for completion in March 1987. Other contracts include a first road contract from Leicester County Council, valued at £927,000 for Stage 2B(1) of the western district distributor road in Leicester; and a £1.7m refurbishment of 158 flats and maisonettes at Washington, Tyne and Wear. The work is for Regalian (Urban Renewal), for completion in January 1987.

*

Following the purchase of the site from Spelthorne Borough Council in the spring, JOHN LAING DEVELOPMENTS has started the construction of Benwell House, Sunbury, a brick-clad three-storey office development of about 26,000 sq ft. The contract is worth £1.9m.

Travel centre at Waverley

NORWEST HOLST SCOTLAND has begun work on £1.5m contracts for ScotRail and the Property Services Agency. Two contracts for ScotRail cover a larger travel centre at Waverley Station, Edinburgh. New crew accommodation is being built at Queen Street Station, Glasgow. The PSA Scottish headquarters at Argyle House, Edinburgh, is being refurbished on two floors. Work is due for completion in March, and will pave the way for accommodation to be released for occupation by other departments.

OVERSEAS

Linking Omani well-heads

Costain Group's Oman-based subsidiary, Yahya Costain has been awarded six contracts in the Sultanate, together worth over £19m. All the contracts have been awarded by Petroleum Development Oman and are being executed by the process engineering division of Yahya Costain.

The most valuable of the six contracts, which gets underway this month, is a three-year project, worth £15m, to provide well hook-up and flowlines service for oil fields in the South of Oman. The work will involve connecting about 200 well heads into production centres and Yahya Costain Process will be responsible for the fabrication of all pipework and pumping stations. For this contract Yahya Costain Process has responsibility for the preliminary civil engineering work, the erection of structural steel and the installation of oil field pumping equipment.

Other work in South Oman includes a contract worth £1.3m to construct 11 oil storage and process tanks at PDO's central production station for the newly-developed Nimr oil field. This is being carried out in association with Ishii Iron Works, the main contractor on the project, and is expected to be complete by February of next year.

The supply of water is a major consideration in the development of the new fields in Southern Oman and a related project will be constructed by Yahya Costain Process under the terms of a £1.6m contract it has recently secured. Work includes provision of all supervisory staff, labour, equipment and transportation necessary for the installation of borehole pumps and drilling water lines at PDO's exploration and production rigs working in the region. This work is expected to continue into the summer of 1988.

*

GEORGE WIMPEY INTERNATIONAL has been awarded a contract by Hutchison Whampoa Property Group to build a section of dual carriageway road with services at Whampoa Dock, Kowloon, Hong Kong. Valued at £775,000, the contract has started and is due for completion in nine months.

*

J. JARVIS & SONS has two contracts in the Greater London area totalling almost £6m. At Thamesmead's Waterfield Secondary School it will construct £3.25m extensions. The three buildings will almost double the size of the school. At Yeading in West London, work has started on a £2.7m British Telecom telephone service centre to provide a single-storey 4,408 sq m workshop and a three-storey office block. Various ancilliary buildings and external works are involved.

JOINT COMPANY ANNOUNCEMENT

FREE STATE GEDULD MINES LIMITED (FSG)
(Reg. No. 05/26324/06)

PRESIDENT BRAND GOLD MINING COMPANY LIMITED (BRAND)
(Reg. No. 05/32680/06)

PRESIDENT STEYN GOLD MINING COMPANY LIMITED (STEYN)
(Reg. No. 05/28210/06)

WELKOM GOLD MINING COMPANY LIMITED (WGM)
(Reg. No. 05/24464/06)

WESTERN HOLDINGS LIMITED (WEST HOLD)
(Reg. No. 05/09266/06)

(All of which are incorporated in the Republic of South Africa)

Consolidation of Mining Operations

In a joint company announcement on December 5 1984 it was reported that the boards of directors of the companies concerned had agreed that application be made for the consolidation of the mining leases of FSG, Brand, Steyn and West Hold, which operate contiguous mines in the Orange Free State. The mining lease held by Steyn's wholly-owned subsidiary, Video Mining Company Limited (Video), was included in the application.

The Minister of Mineral and Energy Affairs has approved the cession of the mining leases held by Steyn, Video, Brand and FSG to West Hold and in addition the granting and cession to West Hold of a mining lease applied for by Steyn over an area of approximately 263 hectares contiguous to Steyn's eastern boundary. All these mining leases will be consolidated and worked as one lease. The State's share of profit (i.e. lease) formula applicable to the consolidated area for the years ending September 30 will be:

1986 – 1991	$Y = 24 - \frac{144}{X}$
1992 – 1996	$Y = 18 - \frac{108}{X}$
1997 – onwards	$Y = 12.5 - \frac{75}{X}$

where Y is the percentage (share of profits) payable to the State (after deduction of a 5 per cent capital allowance) and X is the ratio of taxable profit to mining revenue expressed as a percentage. The basic amount as determined by the above formula is currently subject to a surcharge of 1.25 per cent.

The formulae for determining mining taxation will be:

(i) For the consolidated area (excluding the former Video lease area): $Y = 60 - \frac{360}{X}$

(ii) For the former Video lease area: $Y = 60 - \frac{480}{X}$

In both cases, Y is the percentage rate of tax payable and X is the ratio of taxable profit to mining revenue expressed as a percentage. Taxable profit is arrived at after deducting State's share of profit and capital expenditure. The basic amount as determined by the above formulae is currently subject to a surcharge of 25 per cent.

The Minister of Finance has given his approval to the taxation of the combined mining operations as a single mine.

Proposed Corporate Structure

In order to accomodate the needs of certain institutional shareholders a new corporate structure for the consolidated entity is proposed which is more complex than it would otherwise have been. This new corporate structure incorporates certain options for members of FSG, Brand, Steyn and West Hold to enable them to rearrange their investments in such manner as best meets their individual requirements. The new structure involves three companies, all of which it is proposed will be listed on the stock exchanges in Johannesburg, London, Antwerp, Brussels and Paris. In addition the issuers of American Depositary Receipts (ADRs) issued or which may be issued against shares in the three companies have made application for the continuation of the quotation of those ADRs on NASDAQ (National Association of Securities Dealers Automated Quotation system) in the United States.

The three listed companies will be:

1. Steyn – whose name it is proposed to change to Free State Consolidated Gold Mines Limited (Freegold), which will control the group's mining operations. FSG, Brand and West Hold will become wholly owned, directly and indirectly by Freegold.

2. Orange Free State Investments Limited (Ofsil), a new company which will become the holding company of Freegold owning not less than 50 per cent of the equity of Freegold. Ofsil will initially acquire 100 per cent of West Hold which will subsequently be acquired by Freegold.

3. WGM – whose name it is proposed to change to Welkom Gold Holdings Limited (Welkom), which will exchange its 47.7 per cent holding in West Hold for shares in Ofsil and may also acquire an interest not exceeding 25 per cent in Freegold in terms of the proposals.

The proposals are contingent upon the Schemes of Arrangement which are summarised below being approved by members and sanctioned by The Supreme Court of South Africa.

In terms of the proposed Schemes of Arrangement:

(i) Steyn will make a one-for-one capitalisation issue, thereby doubling the number of its shares in issue. Theoretically this should have the effect of halving the market price of its shares.

(ii) Members of FSG and Brand, in exchange for their existing shares in these companies, will be entitled, in defined proportions, to shares to be issued by Freegold. They, together with the existing Freegold (i.e. Steyn) members, will exchange 27 per cent, rounded down to the nearest whole number, of their entitlements to Freegold shares with Ofsil for Ofsil shares. In the case of members of Steyn such exchange will relate to the aggregate of their existing shares and entitlements to new Freegold shares.

(iii) Members of FSG, Brand and Steyn may in addition elect to tender to Ofsil and/or Welkom 6 per cent and 33 per cent, respectively, rounded down to the nearest whole number, of their respective entitlements to and existing Freegold shares for additional shares in Ofsil and/or shares in Welkom.

(iv) Only whole numbers of Ofsil and/or Welkom shares will be issued, any fractional entitlements being settled by payments in cash.

(v) Members of West Hold will be entitled to one Ofsil share for every West Hold share held. In order to allow such members the opportunity of obtaining a direct investment in Freegold they may elect to tender to Anglo American Corporation of South Africa Limited (AAC) and Anglo American Gold Investment Company Limited (Amgold) 33 per cent, rounded down to the nearest whole number, of their entitlements to Ofsil shares for shares in Freegold. Ofsil in turn will exchange its interest in West Hold for Freegold shares.

Bases of Exchanges of Shares

The exchanges of FSG, Brand and West Hold shares for Freegold shares have been based on each company's projected contribution over the remaining life of the enlarged mining operation (during which each Scheme company's mining assets will be used) and on the relationship between the closing market prices of the respective shares on The Johannesburg Stock Exchange on November 18 1985 (the day immediately prior to the suspension of the listings on the Johannesburg, London and other stock exchanges at the request of the companies, pending the release of this announcement). In arriving at each company's projected contribution to the merged entity a reasonable range of gold prices and discount rates have been used.

After Ofsil has exchanged its interest in West Hold for Freegold shares (but prior to any acquisition of Freegold shares from the FSG, Brand and Steyn shareholders by Ofsil or optional tenders of Freegold shares for Ofsil shares) its sole asset will consist of 37 412 721 Freegold shares (thus in effect 1 Ofsil share will be equivalent in value to 2.61 Freegold shares). Similarly, after the exchange of shares referred to above and assuming that, pursuant to the optional entitlements available, no Freegold shares are tendered for shares in Welkom, Welkom's sole asset (apart from R164 000 comprising its net current assets at September 30 1985, which, in view of its relative insignificance, has been disregarded) will consist of 6 838 000 Ofsil shares, which in turn is equivalent to 17 847 180 Freegold shares (thus in effect 1 Welkom share will be equivalent in value to 0.6786 Freegold shares). The exchanges of Freegold shares for Ofsil and/or Welkom shares by former FSG, Brand and Steyn shareholders thus is based on the attributable value of the Ofsil and/or Welkom shares determined on the above bases and expressed in terms of Freegold shares. The exchange of Ofsil shares for Freegold shares by the West Hold shareholders will also be based on the above attributable values.

Summary of Terms

The exchanges of the Freegold shares for Ofsil and Welkom shares set out below are based on the following ratios:

1 Ofsil share	=	2.61 Freegold shares
1 Welkom share	=	0.6786 Freegold shares
1 Freegold share	=	1.473622 Welkom shares

The FSG Scheme

A holder of 100 FSG shares will be entitled to:

238	Freegold shares of which
27 per cent	will be acquired by Ofsil in exchange for the issue to him of Ofsil shares
	and
6 per cent	of such Freegold shares may be tendered to Ofsil for shares in Ofsil
	and/or
33 per cent	of such Freegold shares may be tendered to Welkom for shares in Welkom.

In each instance the percentage of shares acquired or tendered will be rounded down to the nearest whole number and a cash payment made in respect of any fractional entitlement arising.

The Brand Scheme

A holder of 100 Brand units of stock will be entitled to:

184	Freegold shares of which
27 per cent	will be acquired by Ofsil in exchange for the issue to him of Ofsil shares
	and
6 per cent	of such Freegold shares may be tendered to Ofsil for shares in Ofsil
	and/or
33 per cent	of such Freegold shares may be tendered to Welkom for shares in Welkom.

In each instance the percentage of shares acquired or tendered will be rounded down to the nearest whole number and a cash payment made in respect of any fractional entitlement arising.

The Steyn Scheme

After a one-for-one capitalisation issue by Steyn, and the change of name of Steyn to Freegold, an existing holder of 100 Steyn shares will then hold and be entitled to an aggregate of 200 Freegold shares.

Of the 200 Freegold shares

27 per cent	will be acquired by Ofsil in exchange for the issue to him of Ofsil shares
	and
6 per cent	of such Freegold shares may be tendered to Ofsil for shares in Ofsil
	and/or
33 per cent	of such Freegold shares may be tendered to Welkom for shares in Welkom.

In each instance the percentage of shares acquired or tendered will be rounded down to the nearest whole number and a cash payment made in respect of any fractional entitlement arising.

The West Hold Scheme

A holder of 100 West Hold shares will be entitled to:

100 Ofsil shares of which	
33 per cent	(rounded down to the nearest whole number) may be tendered to AAC and Amgold for shares in Freegold and a cash payment in respect of any fractional entitlement arising.

Ofsil will in turn exchange its interest in West Hold for 37 412 721 shares in Freegold (that is in the ratio of 2.61 Freegold shares for each West Hold share).

Barclays National Merchant Bank Limited, Standard Merchant Bank Limited, Aiken & Carter (auditors of FSG), Ernst & Whinney (auditors of Brand) and Pim Goldby (auditors of Steyn and West Hold), have indicated that they consider the terms and conditions of the proposals to be fair and reasonable to the members of the companies concerned.

Nominee holders should note that the optional tenders will be based on holdings as reflected in the registers of members of FSG, Brand, Steyn and West Hold. In order to accomodate the requirements of their underlying beneficial holders it may accordingly be necessary for such nominee holders to rearrange their registered holdings.

Financial Effects

Based on:

1. the market prices on The Johannesburg Stock Exchange of the shares and stock units of FSG, Brand, Steyn and West Hold on November 18 1985;
2. a Freegold share being equal in value to 50 per cent of the market value of a Steyn share as a result of Steyn's one-for-one capitalisation issue;
3. attributing (in the case of FSG, Brand and West Hold) to each Ofsil share the attributable market value of its underlying Freegold shares;
4. the assumption that, pursuant to the optional entitlements available, no Freegold shares are tendered for shares in Ofsil and Welkom and no Ofsil shares are tendered to AAC and Amgold for Freegold shares; (it must be noted however that as any such tenders would be based on the attributable values of Ofsil and Welkom shares expressed in terms of Freegold shares calculated as set out above, they will not change the effects outlined below.)
5. the sale of fractional entitlements at the market prices referred to in 1 with no provision for brokerage.

the relative market and attributable values of the alternative investments would be:

	Existing Position R	Position After Merger R	% increase
Steyn			
100 Steyn shares	7 100.00		
146 Freegold shares		5 183.00	
20 Ofsil shares*		1 853.10	
Fractional payment		63.90	
	7 100.00	7 100.00	Nil
Brand			
100 Brand stock units	6 150.00		
135 Freegold shares		4 792.50	
18 Ofsil shares*		1 667.79	
Fractional payment		71.71	
	6 150.00	6 532.00	6.2
FSG			
100 FSG shares	7 150.00		
174 Freegold shares		6 177.00	
24 Ofsil shares*		2 223.72	
Fractional payment		48.28	
	7 150.00	8 449.00	18.2
West Hold			
100 West Hold shares	8 650.00		
100 Ofsil shares*		9 265.50	
	8 650.00	9 265.50	7.1

*Each Ofsil share equates to 2.61 Freegold shares.

The effects on the earnings of holders of shares in the Scheme companies are based on a comparison of the consolidated audited earnings of those companies for the financial year ended September 30 1985, with what would have been the consolidated earnings of Freegold if the merger had taken place with effect from October 1 1984, but calculated on the hypothesis that the revised State's share of profit formula and tax formulae were applicable to the merged entity through the period October 1 1984 to September 30 1985. The effects on dividends of holders of shares in the Scheme companies are based on a comparison of actual dividends declared by these companies, for the financial year ended September 30 1985, with the calculated dividends which would have been paid by Freegold on the assumption that the merged entity would have distributed the same amount as the aggregate distributions of Scheme companies in that year, excluding dividends payable to each other.

It should be noted however, that none of the synergies that will arise as a result of the merger have been taken into account in these comparisons.

	Earnings: Existing Position cents	Earnings: Position After Merger cents	Earnings: % Increase (Decrease)	Dividends: Existing Position cents	Dividends: Position After Merger cents	Dividends: % Increase (Decrease)
Steyn						
100 Steyn shares	49 900			52 000		
146 Freegold shares		40 092			43 464	
20 Ofsil shares*		14 334			15 540	
On fractional payment of R63.90**		494			536	
	49 900	54 920	10.1	52 000	59 540	14.5
Brand						
100 Brand stock units	47 700			50 500		
135 Freegold shares		37 071			40 189	
18 Ofsil shares*		12 901			13 986	
On fractional payment of R71.71**		555			601	
	47 700	50 527	5.9	50 500	54 776	8.5
FSG						
100 FSG shares	61 800			69 500		
174 Freegold shares		47 780			51 800	
24 Ofsil shares*		17 201			18 648	
On fractional payment of R48.28**		373			405	
	61 800	65 354	5.8	69 500	70 853	1.9
West Hold						
100 West Hold shares	83 900			90 500		
100 Ofsil shares*		71 670			77 700	
	83 900	71 670	(14.6)	90 500	77 700	(14.1)

* Each Ofsil share equates to 2.61 Freegold shares.
** Assumes that fractional payments will earn income equivalent to the earnings and dividend yields achieved on Freegold shares.

In comparing the effects of the merger on earnings and dividends, West Hold members must bear in mind that they will be exchanging their stake in a company, the bulk of whose operations have a relatively short life, for one in an expanded company with a considerably longer life and that the resultant total dividends they will receive from the merged entity will be significantly greater than they would otherwise have received from their current interest.

The detailed documentation in respect of the Schemes of Arrangement and related matters, which is subject to the approvals of the various stock exchanges concerned, is currently being finalised and will be despatched to members in due course. In the meantime members are advised to bear these proposals in mind when dealing in their shares.

The listings of the companies on the Johannesburg Stock Exchange will be reinstated from the commencement of business on Monday November 25 1985 and are expected to be reinstated on the London and other stock exchanges on the same date.

Copies of this announcement are being posted to members.

Johannesburg
November 22 1985.

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
♦Industrials	1464.56	1462.27	1439.22	1438.89	1440.02	1462.27 (21/11)	1184.96 (4/1)	1462.27 (21/11/85)	41.22 (2/7/32)
Home Bnds.	(u)	81.61	81.02	81.24	81.20	81.61 (21/11)	72.27 (20/5)	—	—
Transport.	682.94	688.67	665.74	683.52	681.88	702.6 (17/7)	553.03 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities	168.14	166.85	164.50	165.21	165.26	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading Vol 000's	(u)	150,320	105,100	126,140	108,380	—	—	—	—

♦Day's High 1475.87 (1466.06) Low 1451.61 (1439.29)

	Nov. 15	Nov. 8	Nov. 1	year ago (approx)
Industrial dividend yield %	4.40	4.49	4.54	4.91

STANDARD AND POORS

	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials	224.26	224.04	221.24	220.90	220.94	224.26 (22/11)	128.24 (4/1)	224.04 (21/11/85)	3.62 (30/6/32)
Composite	201.52	201.43	198.99	198.67	198.70	201.52 (22/11)	163.68 (4/1)	201.43 (21/11/85)	4.40 (1/6/32)

	Nov. 13	Nov. 6	Oct. 30	year ago (approx)
Industrial div. yield	3.62	3.66	3.71	4.07
Industrial P/E ratio	13.38	13.10	12.71	10.69
Long Gov. Bond yield	10.08	10.15	10.22	11.71

N.Y.S.E. ALL COMMON

Nov. 22	Nov. 21	Nov. 20	Nov. 19	1985 High	1985 Low
116.24	116.12	114.79	114.82	116.24 (22/11)	94.60 (4/1)

Rises and Falls

	Nov. 22	Nov. 21	Nov. 20
Issues Traded	2,032	2,044	2,013
Rises	954	1,258	743
Falls	623	409	791
Unchanged	455	377	479
New Highs	199	194	109
New Lows	7	12	14

TORONTO	Nov. 22	Nov. 21	Nov. 20	Nov. 19	1985 High	1985 Low
Metals & Minerals	(u)	1819.4	1878.3	1857.4	2190.07 (15/2)	1740.82 (31/10)
Composite	2851.7	2838.7	2811.0	2795.0	2838.7 (21/11)	2548.5 (8/4)
MONTREAL Portfolio	137.64	157.78	136.23	135.22	139.35 (19/7)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
AT&T	2,903,200	23⅞	+ ⅛	Eastmen Kodak	1,854,300	48⅞	+1⅝
Texaco	2,838,800	35½	+ ⅛	IBM	1,715,000	140⅞	+1¼
Baxter Trav.	2,686,100	13½	− ¼	Beatrice	1,383,600	46⅞	—
Allied-Signal	2,344,700	45⅞	+ ⅞	Sea-Land	1,320,200	24⅝	+ ⅛
AMR	2,138,900	41⅞	—	United Air	1,307,200	48⅞	+1½

	Nov. 22	Nov. 21	Nov. 20	Nov. 19	1985 High	1985 Low
AUSTRALIA All Ord. (1/1/80)	991.00	984.3	988.4	983.9	1058.2 (25/10)	715.5 (7/1)
Metals & Mins. (1/1/80)	490.70	485.5	489.8	488.5	593.8 (20/5)	562.5 (7/1)
AUSTRIA Credit Aktien (2/1/82)	115.72	116.03	116.09	107.97	115.72 (22/11)	58.21 (24/1)
BELGIUM Brussels SE (5/1/80)	2982.54	2961.82	2947.28	2915.08	2982.54 (22/11)	2090.7 (18/1)
DENMARK Copenhagen SE (3/1/83)	222.05	221.66	227.77	228.40	257.57 (24/10)	158.44 (8/1)
FRANCE CAC General (31/12/82)	248.60	238.5	238.7	235.2	248.60 (22/11)	180.9 (3/1)
Ind Tendance (28/12/84)	138.80	139.9	136.9	136.8	139.9 (21/11)	100.1 (3/1)
GERMANY FAZ Aktien (31/12/58)	601.98	597.08	(c)	589.79	601.98 (22/11)	382.59 (3/1)
Commerzbank (1/12/53)	1775.40	1764.8	(c)	1742.7	1761.4 (4/11)	1111.8 (5/1)
HONG KONG Hang Seng Bank (31/7/64)	1712.52	1782.51	1757.29	1754.68	1782.51 (21/11)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	428.73	425.52	422.94	423.62	428.73 (22/11)	228.56 (2/1)
JAPAN** Nikkei (16/5/49)	12759.38	12697.0	12642.8	12607.3	13056.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1008.5	1001.22	996.86	991.63	1057.56 (10/7)	916.93 (4/1)
NETHERLANDS ANP-CBS General (1970)	258.70	238.0	236.1	236.5	258.78 (22/11)	185.6 (3/1)
ANP-CBS Indust (1970)	214.50	215.6	211.4	210.9	214.50 (22/11)	147.9 (3/1)
NORWAY Oslo SE (4/1/83)	408.38	404.51	405.07	406.41	412.88 (12/11)	288.18 (2/1)
SINGAPORE Straits Times (1966)	735.00	735.98	747.86	758.35	952.65 (7/3)	717.90 (15/7)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	—	1234.0	1193.9	1224.0 (20/11)	929.5 (6/8)
JSE Indust (28/9/78)	(u)	—	1001.9	971.3	1036.8 (18/7)	787.1 (7/3)
SPAIN Madrid SE (28/12/84)	156.72	157.34	156.75	155.86	157.34 (21/11)	101.48 (2/1)
SWEDEN Jacobson & P (1/1/58)	1552.20	1515.88	1518.72	1515.50	1552.20 (22/11)	1285.52 (9/7)
SWITZERLAND Swiss Bank Cpn (31/12/58)	558.60	556.5	556.4	556.2	558.60 (22/11)	388.7 (3/1)
WORLD Capital Intl. (1/1/70)	—	245.10	240.4	238.7	245.10 (21/11)	184.6 (4/1)

** Saturday November 16: Japan. Nikkei 12,679.6. TSE 994.69.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985 High	1985 Low	Nov. 22	Price Sch %
416	225	Credit'stalt Pfd.	416
556	330	Goesser	550
1,950	400	Interunfall	1,640
410	232	Laenderbank	410
758	335	Perlmooser	755
220	144	Steyer-Daimler	161
900	245	Veitscher Mag	900

AUSTRALIA

1985 High	1985 Low	Nov. 22	Price Aust. $
5.98	4.33	ANZ Group	4.72
2.46	1.75	Ampol Pet.	2.18
1.22	0.75	Ashton	1
3.1	1.88	Aust. Cons. Ind.	2.8
3.4	2.2	Aust. Guarantee	3.4
3.0	2.28	Aust. Nat. Inds.	2.73
3.10	2.4	APM	2.9
[illegible]	[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

GERMANY

[illegible]

NORWAY

[illegible]

ITALY

[illegible]

NETHERLANDS

1985 High	1985 Low	Nov. 22	Price Fls
254	188.5	ACF Holding	253.5
115.5	78	AEGON	114.7
289	194	Ahold	274.2
139.9	100.5	AKZO	139
[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

SWEDEN

[illegible]

JAPAN

1985 High	1985 Low	Nov. 22	Price Yen
1,555	1,040	Ajinomoto	1,100
765	415	All Nippon Air	610
2,097	1,195	Alps Electric	1,700
1,100	581	Asahi Chem	774
[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices November 22

[illegible]

MONTREAL

Closing prices November 22

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 22

Continued from Page 37

[illegible]

NEW YORK PRICES

Continued from Page 37

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Closing prices, November 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 3/8	16	AAR	.56	2.5	15	113	23	22 3/4	22 3/4	− 1/4
19	9 3/4	AGS			15	70	18 7/8	18 5/8	18 7/8	+ 1/8
14	9 7/8	AMCA				15	11 5/8	11 3/8	11 5/8	
50 3/4	28 3/4	AMR			7	12128	41 1/4	40 3/8	40 1/2	− 7/8
23 3/4	18 5/8	AMR pf	2.18	9.2		40	23 3/4	23 5/8	23 3/4	+ 1/8
25 7/8	23	ANR pf	2.67	11.		2	23 3/4	23 3/4	23 3/4	
22	19	ANR pf	2.12	11.		1	20 1/8	20 1/8	20 1/8	
12 3/8	7 5/8	APL			5	13	10 3/8	10 1/8	10 1/8	− 3/8
15 3/8	9	ARX			14	53	15 1/4	15	15	− 1/4
58	32 3/4	ASA	2a	5.3		1156	38	37 1/8	37 3/4	+ 3/8
27	10 1/2	AVX	.32	2.4		202	13 1/2	13 1/8	13 1/8	
28 1/8	20	AZP	2.72	10.	7	960	26 5/8	26	26 3/8	+ 1/2
63 3/8	38 5/8	AbtLab	1.40	2.3	17	888	62 5/8	61 7/8	62 1/8	− 5/8
25 7/8	18 5/8	AccoWd	.50	2.1	17	387	23 7/8	23 1/2	23 3/4	− 1/8
24 3/4	10	AcmeC	.40	3.5		435	11 3/8	11	11 3/8	+ 1/4
10 1/2	7	AcmeE	.32b	4.2	12	106	7 5/8	7 1/4	7 5/8	+ 1/4
19	15 1/2	AdaEx	1.92e	10.		125	18 5/8	18 1/4	18 3/8	+ 1/8
20	13 1/2	AdmMl	.40	2.0	8	32	20	19 5/8	19 7/8	− 1/8
14 3/4	8 5/8	AdvSys	.52t	3.6	21	495	u15	14 5/8	14 7/8	+ 1/4
36 3/8	22 1/8	AMD			40	3576	27 1/8	26 3/4	26 7/8	− 1/8
12 1/4	10 5/8	Adobe n				82	12 1/8	12	12 1/8	+ 1/8
15 7/8	14 5/8	Adob pfA				380	u16 1/8	15 7/8	16 1/8	+ 1/4
17 3/8	15 1/4	Adob pfB				88	17 1/8	17	17 1/8	
12 1/8	6 7/8	Advest	.12a	1.1	16	1580	11 1/2	10 5/8	11 3/8	+ 7/8
53 1/8	34 3/8	AetnLf	2.64	5.1	17	1083	52 7/8	52 1/8	52 1/4	− 1/2
57 1/2	53 1/4	AetL pf	5.41e	9.6		11	56 1/8	56	56 1/8	− 1/4
40 1/2	22 1/8	Ahmns	1.20	3.0	7	1265	40 3/8	39 7/8	39 7/8	− 1/2
3 5/8	2 1/2	Aileen				265	2 7/8	2 3/4	2 7/8	+ 1/8
60 1/2	44 1/2	AirPrd	1.48	2.5	13	560	60 1/4	59 1/2	60 1/4	+ 1/2
24 3/8	17 1/2	AirbFrt	.60	2.8	12	36	21 1/8	20 7/8	21 1/8	+ 1/8
2 1/8	1 3/8	AlMoa s	.10e	5.7		321	1 7/8	1 3/4	1 3/4	− 1/8
33 3/8	26	AlaP pfA	3.92	14.		50	29	28	28	− 3/4
8 3/4	6 3/4	AlaP dpf	.87	11.		73	8 3/8	8 1/4	8 1/4	− 1/8
87 3/4	66 1/2	AlaP pf	9	11.		z210	85	85	85	− 1/2

Continued on Page 37

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

Continued on Page 35

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices November 22

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 22

Continued on Page 35

Closing prices, November 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.5	15	113	23	22¼	22¼	-¼
19	9¾	AGS			15	70	18⅞	18⅜	18⅞	+⅛
14	9⅞	AMCA				15	11⅝	11⅜	11⅝	
50¾	29¾	AMR			7	12128	41¼	40⅝	40½	-⅛
23¾	18⅝	AMR pf2.18		9.2		40	23¾	23⅝	23¾	+⅛
25⅞	23	ANR pf2.67		11.		2	23¾	23¾	23¾	
22	19	ANR pf2.12		11.		1	20⅛	20⅛	20⅛	
12⅜	7⅛	APL			5	13	10⅜	10⅛	10⅜	-⅜
15⅝	9	ARX			14	53	15¼	15	15	-¼
58	32¼	ASA	2a	5.3		1156	38	37⅞	37¾	+⅜
27	10½	AVX	.32	2.4		202	13½	13⅛	13⅛	
28⅞	20	AZP	2.72	10.	7	980	26⅜	26	26⅜	+½
63⅜	38⅜	AbtLab 1.40		2.3	17	889	62⅜	61⅞	62⅛	-⅝
25⅞	19⅝	AccoWd .50		2.1	17	387	23⅞	23½	23¾	-⅛
24¾	10	AcmeC .40		3.5		435	11⅜	11	11⅜	+¼
10½	7	AcmeE .32b		4.2	12	106	7⅜	7¼	7⅜	+¼
19	15½	AdaEx 1.92e		10.		125	18⅜	18¼	18⅜	+⅛
20	13½	AdmMl .40		2.0	8	32	20	19⅝	19⅞	-⅛
14¾	8⅝	AdvSys .53t		3.6	21	495	u15	14⅝	14⅞	+¼
36⅜	22⅛	AMD			40	3576	27⅛	26¾	26⅞	-⅛
12¼	10⅝	Adobe n				82	12⅛	12	12⅛	+⅛
15⅞	14⅜	Adob pfA				380	u16⅛	15⅞	16⅛	+¼
17⅜	15¼	Adob pfB				88	17⅞	17	17⅞	
12⅜	6⅞	Advest .12a		1.1	16	1580	11½	10⅝	11⅜	+⅞
53⅛	34⅜	AetnLf 2.64		5.1	17	1083	52⅞	52⅛	52¼	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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